TECHNICAL ASSISTANCE AND CAPACITY BUILDING PROGRAMS TO PROMOTE HOUSING AND ECONOMIC DEVELOPMENT

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

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TECHNICAL ASSISTANCE AND CAPACITY BUILDING PROGRAMS TO PROMOTE HOUSING AND ECONOMIC DEVELOPMENT

Tuesday, September 17, 2002

U.S. House of Representatives,
Subcommittee on Housing and
Community Opportunity,
Committee on Financial Services,
Washington, D.C.

The subcommittee met, pursuant to call, at 2:10 p.m., in Room 2128, Rayburn House Office Building, Hon. Sue W. Kelly presiding.

Present: Representatives Kelly, Lee, Jones, Waters and Watt.

Mrs. Kelly. Good afternoon. This hearing of the Subcommittee on Housing and Community Opportunity will come to order. I want to thank all the Members of Congress who are present today. Without objection, many people are coming back to Washington, D.C., from their districts, and they have got planes and trains, but they are interested in this topic, and they will participate fully should they be able to get here in time for the hearing. And all opening statements that they may have and questions will be made part of the official hearing record.

Mrs. Kelly. Now, the Chair recognizes herself for a brief opening statement.

Today the subcommittee will examine technical assistance and capacity-building programs, crucial tools in addressing the needs of low-income individuals and communities. This hearing will help us understand how technical assistance is used, what changes, if any, are needed to make it more cost-effective, and whether additional resources are necessary.

The Department of Housing and Urban Development provides technical and capacity-building assistance to State and local governments, public and Indian agencies, private and nonprofit organizations and individuals. HUD administers 21 technical assistance programs through 5 program offices. The annual funding for HUD technical assistance is around 1 percent of the HUD's overall budget per year, which ranges from $128 million to $201 million. The general purpose of this technical capacity—technical and capacity-building assistance is to help program participants carry out the HUD program goals.

The terms "technical assistance" and "capacity building" are often used with some imprecision. For this reason, last year on July 12th, 2001, Chairwoman Roukema requested the General Accounting Office to conduct a review of technical assistance and capacity-building programs at the Department of Housing and Urban Development. Chairwoman Roukema thought the committee would benefit from a better understanding on the scope and purpose of these programs. Today the GAO will give us a preliminary report on their findings regarding technical assistance.

Today's hearing will largely focus on community-based development corporations, CDCs. These organizations are the primary recipients of technical and capacity-building assistance. There are over 3,600 CDCs in the United States, located in almost every large and medium-sized city in the Nation, as well as in many rural communities. They are frequently the most productive developers of affordable housing in low-income communities and are instrumental in meeting the human needs for individuals and communities. In fact, in many communities, the government has turned to CDCs as the primary vehicle to rebuild distressed neighborhoods.

CDCs are generally small organizations with an average annual budget of $200,000 to $399,000 and a median staff size of six. Because of the increasingly complex nature of funding procurement and execution of community revitalization programs, CDCs often require outside help. These organizations also tend to have frequent staff turnover, and, as a result, they need increased training funds. Subsequently, technical and capacity-building funds are essential to their existence.

We are very pleased to have with us today Congresswoman Stephanie Tubbs Jones, a representative of the GAO to discuss the findings of their study, and witnesses from several community-based development groups. We thank all of our witnesses for taking the time out of their busy schedules to share their thoughts on this issue and look forward to discussing these issues with them.

And, Congresswoman Tubbs Jones, you didn't realize you were working with the GAO, but we are delighted to have you here.

[The prepared statement of Hon. Sue W. Kelly can be found on page 30 in the appendix.]

Mrs. KELLY. I would like to now recognize my friend from North Carolina for his opening statement Mr. Watt.

Mr. WATT. Thank you, Madam Chair, and I want to thank Chairman Oxley for agreeing during the course of the markup on the Housing Affordability for America Act to assure that this hearing would be conducted to give us the opportunity to explore the merits of H.R. 3995, which has been introduced by Representative Stephanie Tubbs Jones. And I want to thank Stephanie Tubbs Jones for introducing this important legislation which I am pleased to be a cosponsor of.

I also want to thank Chairman Roukema—I am sorry. It is H.R. 3974, not 3995. But anyway, she knows what I am talking about.

I want to thank Chairman Roukema for scheduling the hearing and wish her well as she is getting her treatment and is not able to be here today, and thank Representative Kelly for presiding over today's hearing.

The Chair—Representative Kelly has indicated that one of the major problems in our community in terms of economic development is having the expertise and capacity to pull all of the resources together and to implement community development plans efficiently and effectively, and this bill is designed to do that. It is designed to do that in ways that I am sure the lead sponsor of the bill will elaborate upon. But we know in our communities how much of an impediment it is not to have both financial resources, expertise and capacity as we try to revitalize, restore, renew our communities, and anything we can do to be of assistance in that regard is always helpful.

So I am looking forward to the testimony of the witnesses, my colleague Stephanie Tubbs Jones and the persons who have come to be on panel 2, and I especially want to welcome my friend Abdul Rasheed from North Carolina, who I have known for a long time. And I think I am going to get a chance to introduce him, so I won't elaborate. I will save all my good things for my introduction.

So I thank the Chairman for convening the hearing and look forward to hearing the testimony of the witnesses, and I will yield back the balance of my time.

Mrs. KELLY. Thank you, Mr. Watt.

Mrs. KELLY. Ms. Lee, have you an opening statement?

Ms. LEE. Thank you, Madam Chair. Let me thank you and also our chairman for moving forward with this hearing on this bill, and I want to thank Congresswoman Stephanie Tubbs Jones for sponsoring this important legislation and for your very diligent efforts to bring the real issues before this Congress with regard to community development corporations and what they need to move forward to ensure livable communities.

Just last week, Madam Chair, during our Congressional Black Caucus annual conference, Congresswoman Tubbs Jones and myself sponsored a forum on community development corporations. We brought in community groups from our districts and around the country to learn more about the progress they are making in building better and more livable communities and to hear more about their real and growing needs for both technical and financial assistance. Providing this assistance and passing this legislation is essential, and we heard that over and over and over again at our forum, because community development corporations have the community presence. They have the networks. They have the leadership-building capacity, enabling neighborhoods to plan and monitor, to develop livable communities.

CDCs—and we heard this again and again and again—they are in a position to promote greater community awareness about the importance of housing, education, early childhood development and economic empowerment. Community development corporations are really the cornerstone for many of our communities.

By using two generation approaches to the more vulnerable families in our community, and by paying close attention to school readiness strategies and outcome indicators, and leading or participating in strategic community planning for young children and families, CDCs and policymakers really can help us provide for the end of the cycle of poverty throughout our neighborhoods.

So this bill—and I will ask that my full statement be submitted for the record, but, Madam Chair, I just want to say this bill, I think, is a very important major step to ensure that community development corporations receive the type of technical and financial assistance that they so deserve, because they are doing a major service in our communities to provide really for the economic development, economic empowerment and for livable communities for many of our areas in our region.

So I just want to thank Congresswoman Tubbs Jones again for her vision and leadership and for really working together in a bipartisan fashion to bring this bill before us today. I look forward to the testimony.

Mrs. KELLY. Thank you, Ms. Lee.

[The prepared statement of Hon. Barbara Lee can be found on page 37 in the appendix.]

Mrs. KELLY. That concludes our opening statements. We will now begin with our first panel. Testifying on our first panel is the Honorable Stephanie Tubbs Jones, the distinguished member from this subcommittee and the Congresswoman from Ohio's 11th Congressional District. The Congresswoman has a strong interest in the issue of HUD technical assistance and has introduced legislation to increase funding.

Not only is she a Congresswoman and a colleague, but Mrs. Tubbs Jones is one of my friends, and I am delighted to welcome you here this afternoon. I thank you for joining us to share your thoughts on this important issue. So without objection, your written statement will be made a part of the record, and you will now be recognized for a 5-minute summary of your testimony. Thank you. You may begin, Mrs. Tubbs Jones.

STATEMENT OF HON. STEPHANIE TUBBS JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mrs. JONES. Thank you, Madam Chairwoman, and I appreciate—thank you, Madam Chairwoman for holding this hearing on technical assistance. For the record, I would like to thank Congresswoman Roukema for her support and her agreeing to give us this hearing on this particular issue. I would like to thank Congressman Watt and Congresswoman Barbara Lee for attending and being signatories to this legislation, as well as the staff of both the Democrat Majority and Minority side.

I introduced this legislation on March 14th with my esteemed colleague Congressman J.C. Watts, and this bill has attracted strong bipartisan support. Congressman Watts would have been here to testify, but unfortunately he had to preside over a funeral in his congressional district.

I am an advocate for community development corporations, because these organizations play an important role in poverty elimination. Their approach is focused on economic development through affordable housing, business development, job creation and a range of activities that involve community residents in antipoverty and wealth-building activities. This approach is more critical than providing social services because it focuses on empowerment, building infrastructure within communities.

Community development corporations grew out of the civil rights movement of the 1960s. They were typically formed from grassroots volunteers who were in touch with the economic needs of poor and underserved communities. Over the past 30 years, the government has turned to CDCs as the primary vehicle to rebuild distressed neighborhoods. There are CDCs in nearly every large and medium-sized city in the Nation as well as in many rural areas.

I am going to skip over to say technical assistance and core operating support allow community development corporations to access training materials and other forms of assistance to promote self-sufficiency. Core operating support helps sustain organizations while they develop. To give an example, in my own community of Cleveland, a community development corporation might seek training for board members on how to manage equity investments. A church operating a separate nonprofit might obtain technical assistance to provide training on fund-raising. A community development corporation might hire an accountant or an attorney to utilize a new market's tax credit allocation.

Most CDCs grow from efforts within communities and are run on a shoestring. If they are effectively run on a shoestring, at what level might they operate with a full set of shoelaces? My colleague J.C. Watts and I introduced H.R. 3974 to provide them with that full set of shoelaces with technical assistance, core operating support and guidance on the ways to improve their operations.

The government distributes $15 billion for technical assistance, but very little goes to help CDCs operating in low-income communities. Since the 1980s, there have been few dollars to help these organizations. Most dollars go towards tax credits utilized by investors or government entities that support the project. In order to progress to the next level, CDCs need technical assistance funds to build their internal infrastructure and a system of accountability to ensure that their organizations are effectively run.

The last point that I want to make is that this legislation would establish—let me start to go back. Some argue that existing programs adequately cover technical assistance needs of CDCs. Existing programs are useful, but more is needed because the scope of current programs is limited. H.R. 3974 will provide the technical assistance, core operating support—you heard all that.

Among its other functions, it will cover emerging to mature organizations, access to financial and construction expertise, mentoring, assistance with leveraging private funds, training and research, equity investments and the CRA credits for financial institutions that work with eligible CDCs. It has no matching requirement for funds, which is truly a mechanism to empower organizations.

Last of all, and most important, the legislation would establish an advisory council within HUD to examine the capacity needs of CDCs and provide feedback and measurement of their effectiveness. This last point is important because with support comes responsibility. When government provides funding for technical assistance and core operating support, CDCs need to meet tough performance tests in return. It would provide support to diagnose organizational problems and provide the appropriate technical help to enable groups to fulfill their missions and ensure that tax dollars of the American people are efficiently and effectively used.

Madam Chairwoman, thank you again for holding this hearing and for your commitment to housing and economic development. I look forward to the testimony of the invited guests this afternoon, and I want to thank each and every one of the witnesses that have come here to testify this afternoon for their input on this very important legislative issue.

Mrs. KELLY. Thank you very much, Mrs. Tubbs Jones.

[The prepared statement of Hon. Stephanie Tubbs Jones can be found on page 35 in the appendix.]

Mrs. KELLY. Mr. Watt, have you questions?

Mr. WATT. Madam Chair, I think it is customary for us not to question our colleagues.

Mrs. KELLY. Ms. Lee?

Mr. Clay?

Ms. Waters?

Ms. WATERS. No questions.

Mrs. KELLY. Well, if there are no questions, then the Chair notes that Members may have some questions that they want to submit in writing, so without objection, we will hold the hearing record open for 30 days.

Mrs. KELLY. This first panel is excused. We thank you very much, and we will welcome your presence here with us. Thank you for testifying.

And with that, if the second panel will please take their seats at the witness table, I will begin the introductions.

On our second panel, we first welcome back Thomas McCool, the Managing Director of Financial Markets and Community Investment at the General Accounting Office, the investigating arm of the U.S. Congress.

Next we also welcome back Bart Harvey, the chairman of the board of trustees and chief executive officer of the Enterprise Foundation. The foundation launched in 1982 and works with partners to rebuild communities by providing low-income people with affordable housing.

Then we will hear from Reese. And, Reese, if you would be good enough to tell me the correct pronunciation of your name.

Ms. FAYDE. Reese Fayde.

Mrs. KELLY. Thank you.

We will hear from Reese Fayde, chief executive officer of Living Cities, formerly known as the National Community Development Initiative, a partnership of leading foundations, financial institutions and the Federal Government committed to improving the vitality of cities and urban neighborhoods.

I will now yield to my friend from North Carolina to introduce the next witness.

Mr. WATT. Thank you, Madam Chair. I am pleased that you have given me the opportunity and pleasure of introducing my friend and colleague from North Carolina. In North Carolina when we think of community development corporations, we normally think of Abdul Rasheed, who will be the fourth witness in this panel.

He is the founding president and chief executive officer of the North Carolina Community Development Initiative, and that initiative provides resources and assistance to all of the community development corporations throughout North Carolina. The initiative was founded in 1994 to channel funds and provide training and technical assistance to community development corporations in North Carolina, and it is funded by private foundations, the North

Carolina General Assembly, financial institutions and private sector resources.

I thank the Chair for allowing me the pleasure of introducing Mr. Abdul Rasheed.

Mrs. KELLY. Thank you, Mr. Watt.

We will also hear from Dr. Michael Swack, the director of the School of Community Economic Development at Southern New Hampshire University. He is the former chairman of the New Hampshire Community Development Finance Authority and has extensive consulting and teaching experience in the areas of financial institutions and development finance.

Finally, we will hear from Greta Harris, the senior program director of the Local Initiative Support Corporation, otherwise known as LISC. She comes to us today from Richmond, Virginia, where she manages the planning and operation of LISC's Richmond office.

I want to thank you all for taking time out of your schedules to join us here today and share your thoughts on these issues. Without objection, your written statements will be made part of the record. You will each be recognized now in turn for a 5-minute summary of your testimony, and we will begin with you, Mr. McCool. Thank you for being with us today.

STATEMENT OF THOMAS J. MCCOOL, MANAGING DIRECTOR OF FINANCIAL MARKETS AND COMMUNITY INVESTMENT, GENERAL ACCOUNTING OFFICE

Mr. MCCOOL. Thank you, Madam Chairwoman and members of the subcommittee. We are here today to discuss the results of our review of the U.S. Department of Housing and Urban Development's technical assistance and capacity-building programs. HUD's fiscal year 2002 budget is over $34 billion, most of which is passed on to State and local governments, other agencies and organizations that carry out HUD's programs. Technical assistance and capacity-building is an important means through which HUD can influence how its program funds are spent.

The Congress and HUD often use the terms "technical assistance" and "capacity building" interchangeably, and the definitions do overlap. Technical assistance programs can be generally defined as training designed to improve the performance or management of program recipients such as teaching one on one about procurement regulations to housing authority staff. Capacity building can be generally defined as funding to strengthen the planning, management and other capabilities of program recipients or providers, typically housing or community development organizations, thereby building institutional knowledge within these organizations.

Some of the programs have both technical assistance and capacity-building aspects. The overall goal of both technical assistance and capacity building is to enhance the delivery of HUD's housing and community development programs. While HUD's staff, whose costs are covered by HUD salary and expense budgets, routinely provide a wide range of technical assistance as part of their day-to-day activities, our work focused on funding specifically authorized by Congress to be used for technical assistance and capacity building.

We were asked to examine the universe of technical assistance and capacity-building programs in HUD so that you could better understand the scope and purpose of the programs. Our statement focuses on the number of HUD technical assistance and capacity-building programs Congress has authorized and how much they cost; why HUD offers technical assistance and capacity-building programs, and who provides and receives the services; how HUD selects the program providers; and whether HUD program offices are overseeing the programs as required and measuring their impact.

As you have already said, Madam Chairwoman, HUD administers 21 technical assistance and capacity-building programs through five program offices. From fiscal year 1998 to 2002, the annual funding ranged from about 128 to 201 million, accounting for less than 1 percent of HUD's overall budget.

While the general purpose of HUD's technical assistance and capacity building is to help program recipients carry out HUD program goals, each program office designs technical assistance or capacity building to specifically relate to its programs. Recipients could be States and units or local governments, public and Indian housing agencies, private and nonprofit organizations or individuals. Providers could be HUD officials or, more commonly, State and local governments, private and nonprofit organizations, public housing authorities.

HUD awards funding for 17 of the 21 technical assistance and capacity-building programs competitively. The funding of the remaining programs is awarded noncompetitively. HUD uses three types of funding instruments, contracts, grant agreements and cooperative agreements, and determines which type to use on the basis of the relationship with the awardees and the level of Federal involvement anticipated. Depending on the complexity of the individual program office's funding instrument requirements, the process can take between 3 months to a year to complete.

Noncompetitive funding is either specified by statute or based on the formula set by HUD. Specifically Congress appropriates technical assistance and capacity-building funds noncompetitively for the Enterprise Foundation, Habitat for Humanity, Youthbuild USA and the Housing Assistance Council under the Community Development Block Grant Program.

The Local Initiative Support Corporation and the Enterprise Foundation administer the funding for, among other purposes, the National Community Development Initiative under Section 4 of the HUD Demonstration Act of 1993 as amended. Congress also appropriates noncompetitive funding for the National American Indian Housing Council technical assistance programs. And in addition, HUD's Office of Fair Housing and Equal Opportunity use the formula to distribute fair housing and assistance programs—I am sorry, fair housing and assistance program capacity-building funds.

These noncompetitive technical assistance capacity-building programs comprise $50 million, or about 25 percent, of fiscal 2001 technical assistance and about 54-1/2 million, or 30 percent, of fiscal year 2002 technical assistance funding. All five HUD programs—sorry, all five HUD program offices perform basic oversight of the technical assistance and capacity-building programs they administer, such as visually observing the technical assistance, training, or reviewing reports submitted by the providers.

While some HUD officials maintain that they cannot measure the impact of technical assistance or capacity building, other officials have developed and are using measures that seem to be reasonable indicators of the impact of their programs.

While some measures may not be practicable for every—while such measures may not be practicable for every program, HUD cannot demonstrate the effectiveness of this technical assistance and capacity building without some indication of its impact. Furthermore, without such measures, HUD cannot ensure accountability for the near $200 million that Congress sets aside each year for technical assistance, training or capacity-building funding.

Finally, since technical assistance and capacity building are important means through which HUD oversees and influences expenditures or program funds, it would seem logical for each of its program offices to develop more practicable guidance to ensure the technical assistance in the capacity-building programs are producing the intended results.

Madam Chairwoman, this concludes my statement. I would be happy to respond to any questions you or other members of the subcommittee may have.

Mrs. KELLY. Thank you very much.

[The prepared statement of Thomas J. McCool can be found on page 106 in the appendix.]

Mrs. KELLY. We will move on to Mr. Harvey.

STATEMENT OF F. BARTON HARVEY, III, CHAIRMAN AND CEO, THE ENTERPRISE FOUNDATION

Mr. HARVEY. Thank you very much, Madam Chairwoman, for this opportunity. I am Bart Harvey, chairman and CEO of the Enterprise Foundation, and Enterprise currently is putting more than half a billion dollars a year to work in low-income communities, mostly through community-based groups. The real unsung heroes, as you have heard from other witnesses, are the heads of these grassroots groups that provide affordable homes, economic opportunity, decent child care and safer streets where they are needed most.

And Enterprise believes that community-based development organizations are vitally important institutions that warrant continued and expanded public and private support. We commend Representative Tubbs Jones, who I will be with tomorrow evening for the Louis Stokes award in Cleveland, and Representative Watts for their bill and for recognizing the need for more support for grassroots groups in their bill. And I also commend NCCED for its work on this essential bill.

In 20 years of working shoulder to shoulder with grassroots groups to solve some of our toughest problems, we have seen firsthand what they can achieve, but they can't do it alone. Even the most sophisticated organizations need reliable resources and expert advice to maintain and expand their successes. The huge majority of support for community-based developers comes from the private sector, but the Federal Government plays a vital role.

While Enterprise undertakes a large variety of capacity-building efforts, I think there is one that is particularly important to look at for the principles of accountable, successful technical assistance and capacity building, and that is the HUD Section 4 program. Through Section 4, Congress channels Federal funds through national intermediaries like Enterprise to help strengthen community-based groups. These funds help grassroots groups hire and retain staff, invest in technology, develop business plans, improve internal systems and pursue new opportunities. And much of this funding is committed on a multiyear basis, which is critical.

The purpose of Living Cities was really to work on all of the environments within which these grassroot groups work. Between 1991 and 2000, Living Cities funds directly helped community-based groups develop almost 20,000 affordable homes, 1.7 million square feet of commercial and community facilities. In an independent evaluation, the Urban Institute found that community groups' strength, production and local support systems have grown significantly thanks to these efforts in the 23 target cities.

Now, Enterprise also employs Section 4 resources outside of Living Cities locations, the 23 cities, and we have used these funds to assist more than 200 groups and nearly 100 other communities, including many rural and Native American areas. And according to another outside independent evaluation, the Section 4 program outside of the 23 targeted Living Cities locations met and exceeded Congress' goal in creating it.

Now, what are the factors of its success? First, Section 4 provides Federal funding to strengthen community and faith-based development groups. It goes directly to these groups. Those resources are sorely needed and hard to find. This Federal support encourages greater private participation. In fact, it is vital to supporting it. It is looking for the Federal funds to be leveraged by other private support. Secondly, the money is flexible. This allows recipients to meet a wide range of local needs and opportunities in a variety of locations.

Third, Section 4 relies on experienced intermediaries with national reach, such as Enterprise, to deliver resources and to help improve the local public-private partnerships. We provide training and technical assistance to groups in combination with the funding, and we generate strong local support for community development going forward to further leverage Federal support.

Fourth, Section 4 is successful due to the leverage it achieves. Section 4 recipients must match every Federal dollar with at least 3 additional dollars of private support. In practice, Enterprise far exceeds that requirement with the groups that it is working with. Matching funds and additional financial leverage are hugely important to community capacity-building initiatives. They ensure that the Federal Government maximizes the return on its investment, and they provide additional accountability on the use of Federal funds by increasing the number of stakeholders in an organization's success.

Finally, Section 4 works because Enterprise ensures a high level of accountability through the groups that we assist. There are detailed regular reports, site visits, audits, and we assure that capacity-building funds are spent appropriately.

The only problem with Section 4 funds is that there is not enough to support all of the groups that apply for the funding. With more resources, this proven model for strengthening community-based groups could have greater success than it already has. This is not the only way to provide this assistance, but it is one that has worked, and we really commend this bill and what it stands for concerning additive funds for capacity building.

Mrs. KELLY. Thank you very much, Mr. Harvey.

[The prepared statement of F. Barton Harvey can be found on page 100 in the appendix.]

Mrs. KELLY. Ms. Fayde.

STATEMENT OF REESE FAYDE, CEO, LIVING CITIES

Ms. FAYDE. Thank you very much. It is a pleasure to have this opportunity to address the subcommittee on this very important piece of legislation.

What I would like to begin with is really to tell you a little bit about who Living Cities is, because I think that will make it so clear to you why we are so supportive of this endeavor. I think eloquently described by earlier speakers, we have seen really what the work of CDCs is about, but when we talk about this group, we are 16 funders. They are made up of America's large foundations and made up of large financial institutions that came together with the explicit intent of wanting to invest in American cities by investing through community development corporations in inner cities. So the Nation was to try to address the conditions of our inner cities as a way of really helping to strengthen America's cities.

Ten years of operation and real successes we can look to: $254 million having been invested in 23 locations with leveraging of in excess of $2 billion worth of investments in housing, in community facilities and in a whole array of institutions that really support inner cities today.

In the second decade there is a recommitment, and I underscore that it is a recommitment. It is certainly of dollars. We are expecting that the funder—the funders are expecting to put in a half billion dollars over another second decade. This is unprecedented in terms of a level of private investment in America's cities. We are also expanding our agenda to address neighborhoods and what is going on in those neighborhoods, but also the connection of that work with larger—the larger community, with cities. How do we link the residents in our inner cities to the region's economy? That is a major part of what we are doing as we see it in our expanded agenda.

And the third part of our recommitment is really about collaboration. Clearly this is a collaboration of funders, but it has also served as a catalyst to local funders joining with us, local partners, local organizations that are part of making all of this work take place.

We work through CDCs, because, as others have described, we really see these as vehicles that do work. I am reminded of one mayor who said to us once that he liked CDCs because they were scrappy organizations, they were entrepreneurial and could get things done that he couldn't do with the bureaucracy in his city.

I will let you all guess who that mayor was. And he was exactly right. That is something which our experience fully bears out.

So our dollars have been early, flexible and patient. Early, flexible and patient. And that has been just an absolute key factor, I think, in making a difference for CDCs as they go out to do their work.

When Living Cities began, we were all too familiar with the scores of Federal programs that had come before that had some successes, but also had a whole array of failures that none of us wanted to particularly remember. So we approached this work with a theory, with a very firm, clear theory, of how we wanted to see our efforts make a difference, and that theory has several parts. The first is that we wanted to build systems; that CDCs doing their work could do terrific work, but if the rest of the environment were dysfunctional, their work was going to be at least at serious risk. So that was about building partnerships broadly. Two hundred fifty partnerships we describe. I think it is probably an underestimate in terms of just what really is out there.

We also talked about needing to have better administrative procedures on a local level as well as to streamline financing on a local level so that a CDC going out has a chance of being able to have a project be successful.

Another part of what we wanted to take up was really this whole issue of leverage. Having one investor is just not practical. It just doesn't work. There is too much work to be done. So we have always emphasized in all the work the Living Cities has done has our dollar leveraging and what is our participation leveraging; given who we are, are we able to bring new actors to the table. And I think there, too, we have really seen that we have had some real successes.

And the third element has been working through experienced hands, putting the dollars in a set of hands, in this case the national intermediaries, the Local Initiative Support Corporation and the Enterprise Foundation, to really be able to efficiently put the dollars into the marketplace and have them be well used and utilized.

And the last part is really the—in some respects is actually the first part. It is really where we come full circle, and it really is the local organizations themselves. They are the eyes that make the deals happen and make the deals last. The community development corporations on the local level is where the vision begins. It is also where the shepherding of the project from start to finish takes place, and most importantly, it is the set of eyes that watches the program after we have all gone home. That is the thing that is demonstrably different about the work that is being done in our minds through CDCs than were done through other Federal programs. That is how we see sustained development taking place, and we commend the work that has gone on in preparing this bill, because it really does support the work of those organizations.

Thank you.

Mrs. KELLY. Thank you very much.

[The prepared statement of Reese Fayde can be found on page 39 in the appendix.]

Mrs. KELLY. Mr. Rasheed.

STATEMENT OF ABDUL RASHEED, PRESIDENT AND CEO, NORTH CAROLINA COMMUNITY DEVELOPMENT INITIATIVE, ON BEHALF OF THE NATIONAL CONGRESS FOR COMMUNITY ECONOMIC DEVELOPMENT (NCCED)

Mr. RASHEED. Thank you, committee Chairwoman Kelly, Congresswoman Jones, and to all the other distinguished members of this committee, the distinguished gentleman from North Carolina, the Honorable Mel Watt. Thank you, and I am pleased to be here in your presence. I am very pleased to be here today representing the National Congress for Community Economic Development, which is the national trade association that attempts to represent the basic interests of the field.

I also manage on a day-to-day basis the North Carolina Community Development Initiative, which is on the ground in North Carolina working in rural small towns and our population centers like the big city of Charlotte and the great city of Mecklenburg, which the Representative is from. We want to say as a national community of practitioners on the ground doing the work that first and foremost to the success of the field is investment, and this bill clearly represents increased investment in the expertise, in enabling and bringing intelligence, access to information, more capacity, if you will, to those organizations and leaders in the community who are trying to be about change, quality of life, more opportunity, and then raising their own voices in their community to participate in those discussions locally that impact on their lives on a day-to-day basis. We see the deal not as the end itself, but as the means to an end.

We also would like to have the committee consider that this bill also helps us increase, as you have heard from all of our colleagues, the productivity of these organizations at the local community level. It is very difficult to expect and hold accountable organizations when they do not have the tools and resources to match the level of expectation that we have for them in the field, and I would advance to you, as you so well know, that we are operating and trying to work in the most difficult environments in this country, and the need is so great for increased investment. This investment will go right to the heart of trying to increase our productivity, put us in a better position to be held accountable for quantifiable, measurable outcomes that will certainly speak to the impact in the community as it relates to housing, jobs and access to increased capital.

And I would say that our experience in North Carolina, again as indicated by previous speakers, the private sector becomes much more comfortable in engaging with us in the local community when they have some assurance that we have the expertise, that we have the intelligence, the knowledge to, in fact, begin and finish a project; not just get into a deal, but to complete a deal. And for that reason, we have been able to attract more private sector participation. We have been able to encourage local government participation at a higher level of involvement as a result of their comfort level with the community-based organization having the access to the intelligence, to the technical assistance that it needs in order to complete the deal.

Lastly, I would say that if we are going to sustain the work long term in the communities, that it has great momentum at this point in time, it is because we are going to increase access to intelligence, technical assistance, and capacity support. So I encourage your support for this increased investment on behalf of the national community of people on the ground doing the work every day.

I would also encourage—I understand that there is some consideration at doing an assessment and a look at all of the technical programs that have been mentioned that are being made available to organizations across this country. I would ask you to look specifically at how those programs are engaging CDCs, because a lot of these programs are not necessarily available to CDCs in terms of their access to technical assistance. Some are, but many are not. So I think your assessment would, in fact, bear that out and give you at least the kind of intelligence that you need to adjust some of these programs, such that if the desire is there to assist CDCs, that you will have an opportunity to do so.

Mrs. KELLY. Thank you.

[The prepared statement of Abdul Rasheed can be found on page 118 in the appendix.]

Mrs. KELLY. Mr. Swack.

STATEMENT OF MICHAEL SWACK, DIRECTOR, SCHOOL OF COMMUNITY ECONOMIC DEVELOPMENT, SOUTHERN NEW HAMPSHIRE COLLEGE

Mr. SWACK. Madam Chairwoman, committee members, thank you for—.

Mrs. KELLY. Mr. Swack, please turn on your microphone.

Mr. SWACK. Madam Chairwoman—.

Mrs. KELLY. If you would, pull it a little closer. That would be good, too. Thank you.

Mr. SWACK. Thank you for inviting me to testify in front of your committee on the Community Economic Development Enhancement Act of 2002. I am currently the director of the School of Community Economic Development at Southern New Hampshire University, a position I have held for the last 20 years. The School of Community Economic Development is, as far as I know, the only school in the country that offers both master's and doctoral degrees specifically in the discipline of community economic development. I am also proud to see that one of my students is sitting next to me today and has testified.

I wish to share with you briefly the perspective that I have gained as an educator and a practitioner in the field of community economic development and then respond briefly to the questions that the committee has posed.

The School of Community Economic Development at Southern New Hampshire University serves adult practitioners working in the field of community economic development. Most of our students work for private nonprofit community development organizations. Students enrolled in our master's program commute and attend classes 3 days per month over a period of 2 years. They come from all over the country. The average age of our students is 37 years old, and they range in age from their midtwenties to their early sixties. We accept about 50 new students per year in our weekend master's program. Over the past 20 years we have graduated close to 1,000 students. Over half our students have been African American, Latino or Native American. An independent survey of our graduates conducted in the year 2000 reveal that over 90 percent of our graduates have remained working in the field of community economic development since attending the school.

The mission of the School of Community and Economic Development is to provide education and training to a diverse group of community economic development practitioners, policymakers and community leaders and equip them with the knowledge, skills, tools and techniques to have the greatest impact at improving the economic and social well-being of their communities.

We define community economic development as a strategy for people to develop the economies of their communities while providing benefits for community residents; a systematic and planned program promoting economic self-reliance, focusing on issues of local ownership and the capacity of local people; a program for helping consumers become producers, users become providers, and employees become owners of economic enterprises; and a method of building efficient, self-sustaining and locally controlled initiatives that support profitable ventures and effective social programs.

Our curriculum is unique. It is a business-school-type curriculum, but the materials, cases, readings are specifically geared for people working in nonprofit community development organizations. Students are required to take courses in accounting, financial management, business development, financing, community economic development and organizational development. Over a third of the credits they earn in the program is through a project that they carry out in their home communities. Faculty and staff provide technical assistance to the projects, and students are part of a project group of peers who are often working on similar projects in their own communities.

We also offer a number of elective classes in areas such as real estate, marketing and negotiations. Students also are required to submit work online and participate in online activities.

People apply to their program because they want to be more effective practitioners. This is what they tell us in the personal statements they submit. They are also committed to working in the field of community and economic development because they want to improve the quality of life in their communities, and they stay working in the field.

What we have learned over the last 20 years is that education works. Our model, which combines classroom learning, peer support and practical application of skills in the students' home communities, has enhanced practitioner effectiveness. People have developed practical skills, built leadership skills, developed contacts and networks, and have used these skills and networks to build more effective organizations, organizations better able to develop projects, build housing, leverage financial resources, innovate and sustain themselves.

Our model is not the only effective training model in the field today. There are other initiatives aimed at building human capital as we have heard about, and they are also effective.

So how will this legislation help the field of community economic development? In the letter, there were a few questions posed. Why do we need a program like this since the Federal Government already spends billions? What tangible results can we expect? How have the challenges facing the CDC industry changed? What approaches are required to help communities rebuild?

Most programs funded by the Federal Government fund projects; however, if local communities don't have the skills to help manage projects, they won't have access to funds. Building the capacity of local people and local organizations is key to the development process. Without proper skills and leadership, community organizations either are unable to access funds, or if they do, the projects they develop will fail. Funders have frequently resisted funding activities that build organizations. They don't like to pay for salaries or education. They want concrete projects, literally. In fact, we need funds for both concrete and human needs if we want to build communities. H.R. 3974 recognizes this.

In order to access funds, an organization should be able to present a clear business plan with goals and objectives. Funding should be tied to achieving those goals and objectives. This is a process that Mr. Rasheed and his organization have developed, as have Federal programs such as the CDFI fund at the Department of Treasury. Funds should also be used to provide education and training to younger, less experienced groups so they can develop these plans. The legislation should also fund educational and training initiatives that are substantial, rigorous and well designed. Educational and training funds should allow for a range of different providers and initiatives that can serve different constituencies in different regions.

The CDC industry has changed over the past 20 years. Although still asked to blend economic and social goals, CDCs now need to be much more sophisticated organizationally and financially in order to succeed. Deals for housing and business development are often complex. Over the past 2 years, our school has sponsored the Financial Innovations Roundtable. The purpose of this roundtable is to develop concrete ideas that link conventional and nonconventional lenders, investors and markets in order to provide increased access to capital to low-income communities.

One thing the roundtable has made clear: If communities are to move into the broader capital markets and better able to leverage—.

Mrs. KELLY. Excuse me, Mr. Swack, but you had a 5-minute summary, and I would like you, please, if you would summarize that—.

Mr. SWACK. Sure.

I believe that the proposed legislation, H.R. 3974, can make an important contribution to building the capacity of CDC practitioners. It will help build stronger, more stable community organizations, better able to develop viable projects, get them financed, and improve the quality of life. Thank you.

Mrs. KELLY. Thank you very much.

[The prepared statement of Michael Swack can be found on page 129 in the appendix.]

Mrs. KELLY. Ms. Harris.

STATEMENT OF GRETA HARRIS, SENIOR PROGRAM DIRECTOR, LOCAL INITIATIVES SUPPORT CORPORATION (LISC)

Ms. HARRIS. Thank you, and good afternoon, Madam Chairwoman and members of the subcommittee. My name is Greta Harris, and I am pleased to have the opportunity to testify before you today on enhancing community development.

I am the director of the Richmond office of the Local Initiative Support Corporation, one of 38 LISC offices nationwide located in communities represented by several members of your subcommittee.

Over our 20-year history, LISC has provided $4.5 billion to CDCs as investments, loans and grants, helping them to build over 121,000 affordable homes and nearly 18 million square feet of shopping centers in other economic development cities. I have nearly 20 years of experience in rebuilding communities, the majority of which has been spent working at the neighborhood level in organizations that have directly benefited from strategic capacity building. I would like to share with you a bit about LISC's experience in using these funds both nationally and in Richmond, as well as about the systems we have put in place to ensure that these funds translate into real change in the neighborhoods where we work.

The LISC experience has shown that the Section 4 capacity-building program has been extremely productive. To date, LISC has received $60 million through Section 4, which we have used to attract $200 million in private matching funds. Taken together, these resources have been invested into 427 CDCs located in 42 States and the District of Columbia. These partners in turn have produced approximately 26,000 affordable homes as well as retail, industrial and child care facilities. These activities equate to over $3.4 billion of community reinvestment activities in distressed neighborhoods. That is a 58 times increase of the amount of Section 4 funding that we have received, a remarkably productive use of Federal funds.

In Richmond we have combined $618,000 of Section 4 funding with $1.5 million of matching private contributions to fund an operating support collaborative that mixes funding, technical assistance and training to build the capacity of 12 CDCs working in the greater Richmond community.

Industry wide and throughout our region, the results of the strategic placement of capacity-building dollars has been stunning. Since 1997, multifamily housing production has quadrupled, single family production tripled, and grants to existing homeowners for repairs is nearly double. Essentially these capacity-building assistance resources have allowed the CDCs to function better as nonprofit businesses. Currently 100 percent of our CDC partners use strategic business plans, up from 15 percent just 3 years ago, and many have strengthened and expanded their programmatic activities, which directly translates into positive results for the community, the end goal for which we are all striving.

Certainly without funding, none of the successes I have outlined above would have been possible. However, funding by itself is not enough to ensure success. I strongly believe that LISC's use of Section 4 funding has been effective in part due to the systems that have been put in place, both nationally and locally, to ensure that these funds translate into direct change in our neighborhoods. For example, in Richmond there is oversight of all local funding decisions. We fund only a select number of CDCs that meet certain eligibility criteria. We target funding based on full 360-degree assessments, and we bundle funding with technical assistance and training. And perhaps most importantly, we have a close ongoing relationship with our CDC partners, which allows us to monitor their progress and to help them get back on track when issues sometimes arise. I think HUD and other funders have been rigorous and responsive partners in this program to help turn neighborhood liabilities back into community assets.

The role of CDCs, as we see it, is not to address all of the issues facing American cities. It is to jump-start the once stagnant market engines in these neighborhoods and over time attract private capital back into these communities, thereby reconnecting them back to the economic mainstream.

Ms. HARRIS. I invite all of you to come to Richmond or any LISC city where we are working and see firsthand the successes we are having.

I thank you for the opportunity to speak before you today.

Mrs. KELLY. Thank you very much, Ms. Harris.

[The prepared statement of Greta Harris can be found on page 75 in the appendix.]

Mrs. KELLY. Mr. McCool, I have a question for you. I would like for you to explain a little bit about how section 4 of the HUD's demonstration act in 1993 works. Has this been an effective means of demonstrating the money to the CDCs?

Mr. MCCOOL. Madam Chairwoman, we have looked at HUD programs broadly, and we have information about section 4, but we haven't looked specifically at its effectiveness in terms of delivering funds. We haven't really dug deep into that specific part of the HUD programs.

Mrs. KELLY. Mr. McCool, I wonder if we could ask you, please, to go back into your studies and address that before you deliver us the final product, or else do further study.

Mr. MCCOOL. I think we are certainly willing to do further study. The actual mechanics of it we might need to work out.

Mrs. KELLY. We can work out the mechanics. One of the serious problems we have here is, we are just having a hard time getting our arms around fact; and we count on people like you and your organization to deliver us that fact. So if you would please do that, we would appreciate it.

I have a question for you, Mr. Rasheed. On page 5 in your testimony, you basically state that no Federal funds provide assistance directly to CDCs for capacity building and technical assistance. How is this statement consistent with the GAO statement that 120 to 200 million is spent on technical assistance and capacity building, and Ms. Fayde's statement that half a billion dollars will be spent in the next decade, and a part of that is Federal funding? Can you help us understand that, please?

Mr. RASHEED. Basically what CDCs are attempting to say is they don't have an opportunity to directly compete for these funds as a means of support in their programs. And I can't speak for—I will let my colleagues speak for how their statements bear out. HOME

CHDO technical assistance are available at the local community level if a participating jurisdiction chooses to provide those funds. Other funds that can be available are YouthBuild funds, some CDBG funds, and homeless money. Those are the only resources we can compete for, and these are difficult for CDCs to access.

Mrs. KELLY. Mr. Rasheed, the indication—here again, we have a question of whether or not money is provided and whether or not it is the right money; and if it is not, we need to figure out what it is. So let me ask you one other question.

What oversight, if any, exists in the CDCs right now? As the trade association for the CDCs, what can you do, or what do you do, to ensure that quality technical assistance is being provided by the CDCs?

Mr. RASHEED. That quality technical assistance is being provided by the CDCs?

Mrs. KELLY. You are representing the trade organization of the CDCs. I would like to know what quality technical—and this is not an adversarial hearing. We are trying to get information, so we need that. So talk to me about what quality assurance you have built into oversight of the CDCs, what the CDCs are doing now, what your trade organization is doing. If you can't answer that, please consult with the people behind you, so we can get some facts.

Mr. RASHEED. Currently CDCs only have a couple of technical assistance programs that we actually administer. The majority of those are technical assistance funds administered by CDCs are to first-time homebuyers and small and micro-enterprise entrepreneurs. These federal funds come from the U.S. Department of Agriculture and HUD's housing counseling programs like PRIME and Microloan T.A. As far as technical assistance programs for CDCs, these are budgets like HOME and CDBG. Other programs like CHDO and Youth Build are specific to the goals of the program, not the intentional market based approaches to revitalize the community.

Otherwise, in terms of just a general oversight, we try to have different kind of programs. We get involved with setting standards or trying to help elevate and participate with other organizations such as state and city CDC associations and statewide nonprofit associations. CDC, like all nonprofits, are accountable to the IRS, their boards of directors and those institutions and individuals that invest in them. They are trying to just, overall, improve and raise the bar in terms of excellence and what is necessary in order to compete with these projects and in the field of community economic development.

Mrs. KELLY. Mr. Rasheed, do you feel there is adequate oversight from the Federal Government?

Mr. RASHEED. For the programs that are out there, I would say, yes, there is good oversight. I am not questioning the oversight of the Federal Government in terms of the programs that they currently administer.

Mrs. KELLY. I am raising that question. I am asking you your impression, your industry's impression, of what the Federal Government is doing to help you with oversight.

Mr. RASHEED. I can't say they are doing a lot directly to help me in North Carolina, because I don't have any direct Federal dollars. But in terms of the field in general, basically we understand the criteria as established by HUD and other Federal programs, and we try to respond to those programs in ways that enhance our ability to get jobs done.

Mrs. KELLY. Mr. Rasheed—were you finished?

Mr. RASHEED. Yes.

Mrs. KELLY. Mr. McCool, would you like to answer that for me, please.

Mr. MCCOOL. Sorry, ma'am?

Mrs. KELLY. I am asking a question about whether or not there is adequate HUD oversight.

Mr. MCCOOL. Well, again from our broad look, we think that HUD does have oversight mechanisms in place in terms of whether services are actually delivered, whether classes are actually held.

Our question, I guess, with respect to these programs is the extent to which HUD has reasonable measures of the impact of the programs on the recipients to whom their service is delivered.

Mrs. KELLY. On page 2 in a summary—in your summary on the GAO statement, I find here it says we are recommending that HUD, where possible, measure the impact of technical assistance and develop assistance guidance for program offices to use. The indication in other places—and I don't want to take the time of the members and the people in the room—from reading your GAO report, I got the impression that there was some question about Federal HUD oversight on these programs. So perhaps we could clear that up.

Mr. MCCOOL. Right. But again, I think the issue had more to do—it all depends on how you define oversight versus, again, effectiveness.

I think the oversight that we were talking about earlier had to do with whether the services were delivered, whether the money was spent in accordance with the way it was intended, as opposed to whether the technical assistance had a meaningful effect from a programmatic respect. It is the latter where we are pushing on HUD to do a better job in trying to understand whether these technical assistance capacity building programs are actually having a meaningful programmatic effect rather than, yes, they were done in accordance with the law and in compliance with what was agreed to.

Mrs. KELLY. Mr. McCool, that is something we need to know.

With unanimous consent, I have a letter from Ms. Roukema and myself that I would like to insert in the record, asking the GAO to conduct a review of the technical assistance capacity-building programs at HUD for additional questions that didn't seem to get answered in this GAO report. So with unanimous consent, I will insert this in the record.

[The following information can be found on page 135 in the appendix.]

Mrs. KELLY. Let us go now to Ms. Jones.

Mrs. JONES OF OHIO. Thank you, Madam Chairwoman.

I would like to continue with some questioning, Mr. McCool. In fact, most of the programming that HUD does technical assistance with through Living Cities—and Living Cities is doing a great job, but there are only 23 cities that actually receive funding through that program; is that correct, sir?

Mr. MCCOOL. That's correct. The Living Cities part of the section 4, that is true.

Mrs. JONES OF OHIO. And the reality is, with all the money that HUD is spending for technical assistance, there are a limited number of cities and organizations that are accessing dollars across the country; is that fair?

Mr. MCCOOL. That is my understanding.

Mrs. JONES OF OHIO. Would it not be advantageous outside for other cities to have the opportunity to build the capacity of the community development corporations across this country in light of the fact they all pay into the tax base of our country?

Mr. MCCOOL. It would certainly be advantageous for the CDCs. I guess the question always is where the Federal dollars come from and what alternative uses of Federal dollars there are.

Mrs. JONES OF OHIO. Let us talk about that for a moment.

The CDCs, in actuality, get very little direct money from any of the programs that you have done a review on, the 21 technical programs; is that a fair statement?

Mr. MCCOOL. They certainly don't get a majority of the funding. They get a part of the funding.

Mrs. JONES OF OHIO. How much?

Mr. MCCOOL. $10 million or 20 million.

Mrs. JONES OF OHIO. Out of how much?

Mr. MCCOOL. Out of the 170 to 200 million.

Mrs. JONES OF OHIO. Over what period of time?

Mr. MCCOOL. Over the 5-year period over which our study was conducted.

Mrs. JONES OF OHIO. I would like for you in part of your report from the GAO to tell me specifically what money goes directly to CDCs from any of the 21 technical assistance programs.

I would also like to know, of the 21 technical assistance programs, in what year some of those programs have received no appropriation whatsoever; because I am aware that there are some that have not received any appropriations, which means that none of that money was going out to some of these programs. And I am interested in that because when we talk about this world of technical assistance to community development corporations, it is kind of in a vacuum when the facts speak a little differently.

Do I need to repeat any of what I have asked of you, sir?

Mr. MCCOOL. No.

Mrs. JONES OF OHIO. Let me ask, Dr. Swack, even with all the technical assistance programs that the GAO currently claims are provided to CDCs, what else could CDCs use to be able to improve their lot in the lot of their communities that may well be covered by this legislation?

Mr. SWACK. I think that is a good question because it allows us to make a distinction between technical assistance and education. Technical assistance is useful, but doesn't always build capacity; and what we are talking about is, how do we build the capacity of indigenous local leadership to manage organizations, develop projects and carry them out.

One of the things this legislation does is, it specifically addresses the question of education as well as technical assistance. So it is not just hiring a lawyer or hiring an accountant to do something. It is building the local organization and the capacity of individuals in that community to carry out projects, put together deals, learn how to do it themselves, do better ones; and this legislation does this that.

Mrs. JONES OF OHIO. In addition, Mr. McCool, could you include in your report what money goes to community development corporations for capacity building, not just technical assistance, in your response?

Mr. Rasheed, would you care to answer that same question, sir.

Mr. RASHEED. Madam Chairwoman, I think I agree with Dr. Swack in saying that what we need is resources that help build and sustain the capacities of organizations to maintain their momentum and to be flexible enough to respond to opportunities in their community. This bill does speak to that in both instances in that it will provide resources to hire the kind of professional expertise to do a specific deal. But it also is flexible enough to allow us to have resources to help educate the organization about how to operate as a business such that it can sustain itself when resources ebb and flow.

I also would like to, if I might—go back to an earlier question, if I might, and say that most of the technical assistance dollars that you asked me about earlier actually go to cities and intermediaries and not to CDCs, and they then have to go to the city to get at those resources. Many cities choose not to provide technical assistance funding to nonprofits at all. The programs do not require a city or P.J. to provide capacity building or technical assistance. So that is what I was trying to say earlier.

And lastly, I would say in looking at how assessing and trying to figure out how best to make these dollars available in the future, I think the oversight committee mentioned in my testimony that would involve others with the HUD staff could in fact tighten that up and bring about the oversight that you desire. We could see not only what was provided but what the impact was. We could also note technical assistance that was not provided.

Mrs. JONES OF OHIO. My time is up, and hopefully we are going to get another round where I will be able to ask some questions of the other members of the panel.

Mrs. KELLY. Thank you, Ms. Jones. I want to, for the record, make Ms. Tubbs Jones' request to the GAO a part of the record so that it is understood that it is an official request.

Mr. MCCOOL. It is understood.

Mrs. KELLY. We move now to Mr. Watt.

Mr. WATT. Thank you, Madam Chair.

Mr. McCool, you may think we are picking on you, but we are not. I just wanted to go to page 3 of the draft report, and your testimony I guess it is, and look at the chart that you have included there, which actually outlines the programs through which technical assistance is provided. And I take it the ones that community development corporations really have a shot at, under the Office of Community Planning and Development, section 4, Capacity Building, and section 107, Technical Assistance; is that correct?

Mr. MCCOOL. Yes, sir.

Mr. WATT. The rest of these programs are kind of specific technical assistance to that particular program that, in most cases, community development corporations have little involvement with; is that correct?

Mr. MCCOOL. In most cases, that would be true.

Mr. WATT. Now let me just kind of trace then across. You have done a 4-year study there, which suggests that in 1998, the combination of capacity building and technical assistance was $22 million; is that correct? Am I reading this correctly?

Mr. MCCOOL. 1998?

Mr. WATT. 1998. And then in 1999, the combination of those two funds jumped up to $32.5 million; is that right?

Mr. MCCOOL. Yes, sir.

Mr. WATT. And then in the year 2000, actually, technical assistance was either zeroed out or was not used in either 2000, 2001 or estimated to be used in 2002, so that what you are left with then is only capacity building under section 4; is that right?

Mr. MCCOOL. It does include technical assistance, but it is true, it is under section 4.

Mr. WATT. In actuality we went from $32.5 million in 1999 down to $26.3 million available in 2000, and actually didn't get back to even the 1999 level in 2001; is that right?

Mr. MCCOOL. Yes, sir.

Mr. WATT. I am just trying to make sure I am reading this correctly because it seems to me that even based on what we have here, there have been—there has certainly not been any growth in these two technical assistance funds, and, in fact, there has been a reduction in the technical assistance that is available—I mean, capacity building and technical assistance considered together; is that right?

Mr. MCCOOL. Either reduction or it has been reasonably flat.

Mr. WATT. This is obviously not your fault. I just want to make sure that people understand that part of the problem here is that there really has not been any increase in funding for technical assistance. And I take it, then, the bulk of this technical assistance—Ms. Fayde and Ms. Harris, is it correct that the bulk of this has been going to Living Cities and the LISC programs. Where has it been going to? Who has been getting the bulk of this money?

Ms. HARRIS. The bulk of the money has actually been going to the CDCs that partner with LISC, Enterprise and with Living Communities initiative.

Mr. WATT. And that is directed primarily at 23 cities?

Ms. HARRIS. That is beyond that. Those are the Living Communities, participating cities with section 4 dollars go beyond those initial 23 and actually are reaching CDCs located in, I believe, 42 States and actually reaching down at the local level to just under 300 local jurisdictions, because in some cases, CDCs actually work in multiple jurisdictions in a regional area. So it does have a broader reach than just 23 cities. It certainly is not reaching all CDCs who are currently working throughout the country, but it is broader than the 23 cities.

Ms. FAYDE. Perhaps I could clarify by just explaining some of the mechanics in terms of when the dollars are targeted toward the 23 cities and when they are targeted in the off years from our perspective.

Approximately every 3 years, a portion of the allocation in this last round, it would have been $20 million, was targeted to the Living Cities work plans that were executed by LISC and Enterprise. Those dollars, I would suggest probably 90 percent if not more, go through LISC and Enterprise directly to the CDCs. But that is in those 23 cities. On the other years, if you will, two and three, those dollars go through LISC and Enterprise's networks as well as other organizations.

Mr. WATT. Let me interrupt you because I don't want to lose sight. I don't want to get too technical on what is happening.

Let me just ask this general question, which I would ask everybody but Mr. McCool, because I doubt he has an opinion on it, to just answer yes or no. If there were more funds and if this bill were in place, do you think that capacity and the delivery of what is currently in place would be more effective in our communities?

And let me start with Mr. Harvey and just go down, because my time is already out, and just say yes or no.

Mr. HARVEY. Yes. There is a great need for more technical assistance. We aren't reaching all of the groups that we need to reach. And if done in the right way, in an accountable way, it will make a big difference.

Mr. WATT. Ms. Fayde, yes or no?

Ms. FAYDE. Absolutely yes.

Mr. WATT. Mr. Rasheed.

Mr. RASHEED. Absolutely yes.

But can I add, just to give an example, the dollars that are being proposed could actually be absorbed just in these 23 cities. I am talking about the additional dollars. So if those cities could use additional money to have greater impact, just think about the rest of the country.

Mr. WATT. Dr. Swack?

Mr. SWACK. Yes.

Mr. WATT. And Ms. Harris?

Ms. HARRIS. Absolutely yes, but—more money is always good, but the delivery system is critical for ensuring that those dollars reach the end goal that we are shooting for.

Mr. WATT. Thank you, Madam Chair. I am sorry we went over.

Mrs. KELLY. That is quite all right. We need the information and that was a good question.

Ms. Lee.

Ms. LEE. I would like to ask Mr. McCool this question also. First, let me just ask you in terms of technical assistance and capacity-building funds since the 1960s, since actually the community development corporations began somewhere in the 1960s, how do you see the need now? Has the mission of CDCs, from your point of view, changed, and what do you see as the outcomes? What should the goals of CDCs be at this point in the year 2002?

Mr. MCCOOL. Ms. Lee I am not sure if I am the right person to answer that question. I am not sure—we have been tracking the goals of CDCs. I think the people who are more closely on the—

Ms. LEE. Let me ask you, we have to understand what the Federal Government sees as the role of CDCs. Is it economic development? Is it job creation? Is it poverty alleviation? Is it entrepreneurial development? There has got to be some kind of—

Mr. MCCOOL. I think it is clear that all of the above is the answer, but I think there has been a shift, in my view, toward the entrepreneurial end of the spectrum in recent years, which has been reflected in a lot of what you see in terms of the partnerships that have been generated.

Ms. LEE. In terms of direct funding assistance to CDCs, it is my understanding that right now the funding goes through the cities, right, through local governments not directly to local CDCs?

Mr. Rasheed, could you answer that?

Mr. RASHEED. For the majority of programs.

Ms. LEE. But the direct funding which goes directly to CDCs at this point, are there any?

Mr. RASHEED. No, ma'am, not for technical assistance.

Ms. LEE. Capacity building?

Mr. RASHEED. No. No direct funding.

Ms. LEE. Then let me just ask, Mr. McCool, how does HUD actually measure the success? How do you evaluate the CDC movement, in essence? How do you know that CDCs are complying with what we all know they should be doing, if, in fact, there is no direct funding to CDCs?

Mr. MCCOOL. As part of HUD's contractual arrangements, it does ask for performance goals and does evaluate that within the context of its contractual obligations. Again, our issue is a slightly broader one looking at the programs where HUD itself, through either its own agents or through its intermediaries, provides the technical assistance and capacity building. But it is clear that this notion of trying to get a sense of what the impact and the outcomes of these programs are is part of the ongoing necessity for oversight from HUD's perspective.

Ms. LEE. I am going to yield a minute to my colleague—let me just follow up then and just ask, I am trying to get clear, how would HUD—and I don't know if HUD has taken a position yet on this bill, but don't you think direct assistance, direct funding for CDCs in terms of capacity building and technical assistance would enhance the overall goals of the CDCs and what HUD and what our Federal Government see as the outcomes—what the outcomes should be?

Mr. MCCOOL. Again, enhancing capacity building for CDCs, I am sure, would improve or at least generate the potential for more effective local economic development. The question is always one of alternative use of resources, which again is where we sort of drop out and let the folks who are more involved on the floor be the advocates of that sort of thing.

Ms. LEE. Could I ask any one of the panelists if you could respond very quickly to that: In terms of the outcomes that we are looking at, would this enhance job creation, entrepreneurial development, economic development, poverty alleviation if, in fact, this bill were signed into law?

Mr. RASHEED. Absolutely yes. And I would again point you to sections of the bill, section 4 that asks for an assessment of the community economic development expertise, one point.

Secondly, we also in the bill ask for an advisory council that would work with HUD to look at establishing and looking at a criteria to better evaluate the effectiveness not only of the programs and the mechanisms, but also the results we see on the ground.

And thirdly, section 6, coordinate this with the President's annual budget request.

Ms. LEE. Thank you very much, Madam Chair, and thank you for the time.

Mrs. KELLY. Thank you, Ms. Lee. I, with unanimous consent, would like to give Ms. Tubbs Jones an additional 5 minutes. This is a hearing which she has requested, and I think we are beginning to open up some of the information that we need. Certainly it is evident we need a great deal more. With that in mind, I would like to turn it over to Ms. Tubbs Jones for another 5 minutes for questioning.

Mrs. JONES OF OHIO. Thank you, Madam Chairman.

First of all, let me thank each and every one of you for coming this afternoon to participate in this panel, and be clear that the purpose of this legislation is not to inroad on anybody's current opportunities to help community development. I am trying to expand the opportunity for community development corporations to be able to be operative.

I come from Cleveland, Ohio, and I believe we have one of the best networks of community development corporations going, and I would like to see it happen all over the country. If I misstated that there were only 23 cities, I don't know all that you do, but I do know one program was originally focused on 23 cities.

Let me ask you this: Currently, Mr. Harvey, there is—we don't have a study or a review of capacity building from the government for the dollars we have expended. Is that a fair statement, sir?

Mr. HARVEY. I believe so.

Mrs. JONES OF OHIO. Would it be useful for the work that you do to have such a study?

Mr. HARVEY. Absolutely.

Mrs. JONES OF OHIO. I guess we haven't chosen an advisory council, but also an advisory council that would bring in the day-to-day people on the ground to participate, to say what we have experienced, would be useful as well?

Mr. HARVEY. Absolutely.

Mrs. JONES OF OHIO. Now you get 30 seconds to tell me whatever you want to tell me. That is it.

I am coming to you, Ms. Fayde.

Mr. HARVEY. Thank you, Congresswoman.

What I would say is, A, your bill deals with a critical shortage of what we need. We have got community development organizations that are really carrying out public needs, and they have no direct public capacity building or technical assistance. And so from the point of view of adding more resources, it is critically important and very much needed. Putting in a system of accountability, I think, is also absolutely essential. I think all of us agree that we have to measure performance, and tough choices have to be made. And so we would like to see that.

Mrs. JONES OF OHIO. Nine, eight, seven, six—Ms. Fayde.

Ms. FAYDE. The question has been asked, what has changed for CDCs in recent history; and it is that the world is just a different place and a more complicated place. And I think their ability to function is therefore really jeopardized by their ability to sort of stay at stride.

So we are talking about major demographic changes occurring in urban neighborhoods. We are talking about needing to connect people in neighborhoods to larger economic markets and world markets.

To be able to do that, you need more information, more experience, more skills; and I think the capacity building that is spoken to in this bill would assist the CDCs in being able to meet that challenge ably.

Mrs. JONES OF OHIO. Ms. Harris?

Ms. HARRIS. Thank you. I want to answer Ms. Lee's question of the role of CDC's as it has changed; and I think the ultimate goal has not over the last four or so decades. It is ultimately to create healthier living environments for families, and I think that is the goal.

The methodologies by which the CDCs are carrying out their activities has maybe expanded. It used to be primarily organizing, and then housing, and now it has moved into economic development and job creation. And those are all great, but it does beg for more experience and technical expertise so that the CDCs can be successful and effectuate change in the communities.

The ultimate goal of this work, or the success of it, is through partnerships. So more resources are a good thing. The delivery system for those resources to ensure impact is critical.

Mrs. JONES OF OHIO. I thank you. I don't think I could have said it any better if I had to say it myself as one of the authors of the legislation.

My next idea is to figure out how I can get SBA and HUD to work together to create businesses and housing and create a real community.

So stay tuned, and thank you, Madam Chairwoman, for the opportunity.

Mrs. KELLY. Thank you. If there are no more questions, then the Chair notes that some members may have additional questions that they may wish to submit in writing. So without objection, the hearing record will remain open for 30 days for members to submit additional written questions to the witnesses and to place the witnesses' response in the record.

Mrs. KELLY. The panel is excused with our great appreciation and thanks for your time. This hearing is adjourned.

Mrs. JONES OF OHIO. One more thing, Madam Chairwoman, I would like to thank Representative Barney Frank for giving me the opportunity to be a ranking member in my second term in Congress. Thank you.

[Whereupon, at 3:40 p.m., the subcommittee was adjourned.]

APPENDIX

September 17, 2002

Statement of Congresswoman Sue Kelly Subcommittee on Housing and Community Opportunity Hearing on; "Technical Assistance and Capacity Building Programs to Promote Housing and Economic Development"

Tuesday, September 17, 2002; 2:00 p.m.; 2128 Rayburn

Today the Subcommittee will examine technical assistance and capacity building programs, crucial tools in addressing the needs of low-income individuals and communities. This hearing will help us understand how technical assistance is used, what changes, if any, are needed to make it more cost effective, and whether additional resources are necessary.

The Department of Housing and Urban Development provides technical and capacity building assistance to state and local governments, public and Indian agencies, private and non-profit organizations, and individuals. HUD administers 21 technical assistance programs through five program offices. The annual funding for HUD technical assistance is around 1 percent of HUD's overall budget each year which ranges from $128 million to $201 million. The general purpose of this technical and capacity building assistance is to help program participants carry out HUD program goals.

The terms "technical assistance" and "capacity building" are often used with some imprecision. For this reason, last year, on July 12, 2001, Chairwoman Roukema requested the Government Accounting Office (GAO) to conduct a review of technical assistance and capacity building programs at the Department of Housing and Urban Development. Chairwoman Roukema thought the Committee would benefit from a better understanding on the scope and purpose of these programs. Today GAO will give us a preliminary report on their findings regarding technical assistance.

Today's hearing will largely focus on Community-based Development Corporations (CDC's), organizations that are the primary recipients of technical and capacity building assistance. There are over 3,600 CDC's in the U.S., located in almost every large and medium sized city in the nation as well as in many rural communities. They are frequently the most productive developers of affordable housing in low-income communities and are instrumental in meeting the human needs for individuals and communities. In fact, in many communities, government has turned to CDC's as the primary vehicle to rebuild distressed neighborhoods.

CDC's are generally small organizations, with an average annual budget of $200,000 to $399,000 and a median staff size of six. Because of the increasingly complex nature of funding procurement and execution of community revitalization programs, CDC's often require outside help. These organizations also tend to have frequent staff turnover and a resultant need for training funds. Consequently, technical and capacity building funds are essential to their existence.

We are pleased to have with us today Congresswoman Stephanie Tubbs Jones, a representative of the GAO to discuss the findings of their study, and witnesses from several community-based development groups. We thank all of our witnesses for taking the time out of their busy schedules to share their thoughts on this issue and look for ward to discussing these issues with them.

<u>Opening Statement of the Honorable Eric Cantor</u>
<u>Before the House Financial Services Subcommittee on Housing</u>
<u>(9/17/02)</u>

Madame Chairman,

I would like to thank the chair for convening this hearing today.

Additionally, I would like to take this opportunity to introduce a Virginia resident who is testifying before us today.

Greta Harris is here testifying on behalf of the Local Initiatives Support Corporation, or LISC. Greta is the Senior Program Director of the Richmond LISC organization. She has an undergraduate degree in architecture from Virginia Tech and a master's degree in architectural and urban design from Columbia University. For the last ten years, Greta has worked for community development corporations in Philadelphia and Richmond.

She joined the Richmond chapter of LISC as a Program Director in 1997, and in 2000, she was named Senior Program Director. Greta currently serveson the City of Richmond's Industrial Development Authority and the Neighborhoods In Bloom Advisory Board. She and I have had a close working relationship since my election to Congress, one which we both hope will foster growth in downtown Richmond, and I look forward to her testimony.

Again, welcome Greta. Thank you Madame Chairman, and I yield back the balance of my time.

Congressman Felix J. Grucci, Jr.
Financial Services' Subcommittee on Housing and Community Opportunity
Hearing on Technical Assistance and Capacity Building Programs to Promote Housing and Economic Development
September 17, 2002

Thank you Madame Chairwoman.

I would like to thank you for holding this hearing on technical assistance and capacity building programs to promote housing and economic development. As today's hearing will highlight, technical assistance plays an important role in the economic development created by the nation's Community Development Corporations (CDCs).

As many of you know, Community Development Corporations assist American families and small businesses reach the American Dream. I am proud of the fine work of Wilbur Klatsky and the Community Development Corporation of Long Island, which has served Long Island businesses and residents for over 35 years.

Like CDCs throughout America, CDC Long Island has played a major role in assisting low and moderate families with housing needs. Among other things, they are the largest Section 8 administrator on the Island and was the first in the nation to use the Section 8 program as a home ownership product.

Through the low-income tax credit, CDC Long Island, along with several partnerships, has built over 600 homes for the elderly.

Importantly, CDC Long Island also provides extensive housing counseling to over 200 families a year. This important counseling allows families to better understand what the homeownership experience entails and what rental opportunities are affordable. They have even created two home maintenance centers in order to teach the essential home maintenance techniques to new homeowners.

CDC Long Island also plays an enormous role in lending to and counseling small businesses. They have provided 180 loans to area small businesses, only 5 of which have defaulted. They have also provided extensive assistance and counseling to new small businesses, many of which rely on this important counseling to learn the essentials of running a small business.

While the accomplishments of CDC Long Island highlight the importance of these institutions, it is important to note that much of their work relies on technical assistance provided by the Department of Housing and Urban Affairs and the Small Business Administration. Unfortunately, the SBA has almost entirely eliminated technical assistance to not for profit lending intermediaries.

The economic development directly created by the 3,600 community development corporations has stimulated growth in communities throughout America. They have contributed to the record homeownership levels and the small business levels.

I ask my colleagues on the committee to fight to maintain adequate technical assistance funding in order for these great institutions to help families reach the American Dream.

I look forward to hearing the testimony of our witnesses and participating ina a dialogue about the importance of technical assistance.

Thank you.

Stephanie Tubbs Jones
Congress of the United States
11th District, Ohio

Committee on Financial Services
Subcommittee on Housing and Community Opportunity

Testimony

Technical Assistance and Capacity Building Programs
To Promote Housing and Economic Development

September 17, 2002

Thank you Madam Chair for holding this hearing on technical assistance and capacity building programs and H.R. 3974, the Community Economic Development Expertise Enhancement Act of 2002. I introduced this legislation on March 14, 2002 with my esteemed colleague, Congressman J.C. Watts, Jr., and the bill has attracted strong bi-partisan support.

I am an advocate for community development corporations because these organizations play an important role in poverty elimination. Their approach is focused on economic development through affordable housing, business development, job creation, and a range of activities that involve community residents in anti-poverty and wealth-building activities. This approach is more critical than providing social services because it focuses on empowerment: building infrastructure within communities.

Community development corporations grew out of the civil rights movement of the 1960's. These organizations were typically formed from grassroots volunteers who were in touch with the economic needs of poor and underserved communities. Over the past thirty years, government has turned to CDCs as the primary vehicle to rebuild distressed neighborhoods. There are CDCs in nearly every large and medium sized city in the nation as well as in many rural areas.

Characteristically, CDCs have an annual budget of $200,000 to $399,000 and a median staff size of six. Sixty percent of CDC's have staffs of ten or fewer members. They work at the grassroots level and undertake multidisciplinary roles. To undertake sophisticated projects, they partner with consultants and other organizations to maximize efficiency and take advantage of competencies that may not be present within their own organizations.

Technical assistance and core operating support allow community development corporations to access training, materials, and other forms of assistance to promote self-sufficiency. Core operating support helps sustain organizations while they develop. To give an example, in my own community of Cleveland, Ohio, a community development corporation might seek training for board members on how to manage equity investments. A church operating a separate non-profit might obtain technical assistance to provide training on fund raising. A community development corporation might hire an accountant and an attorney to utilize a New Markets Tax credit allocation. Most CDCs grow from efforts within communities and are run on a shoestring. If they are effectively run on a shoestring, at what level might they operate with a full set of shoe laces?

My colleague J.C. Watts and I introduced H.R. 3974 to provide community development corporations with technical assistance, core operating support, and guidance on ways to improve their operations. The government distributes $15 billion for technical assistance, but very little goes to help CDCs operating in low-income communities. Since the 1980's, there have been few dollars to help these organizations. Most community revitalization dollars go towards tax credits utilized by investors, or government entities that support projects. In order to progress to the next level, CDCs need technical assistance funds to build their internal infrastructure and a system of accountability to ensure that organizations are effectively run.

Some argue that existing programs adequately cover the technical assistance needs of CDCs. Existing programs are useful, but more is needed because the scope of current programs is limited. H.R. 3974 would provide technical assistance and core operating support throughout the nation, instead of limiting this assistance to a small range of cities, as do existing programs. Among its other functions, H.R. 3974 would cover emerging to mature organizations, access to financial and construction expertise, mentoring, assistance with leveraging private funds, training and research, equity investments, and CRA credits for financial institutions that work with eligible CDCs. H.R. 3974 has no matching requirement for funds which is truly a mechanism to empower organizations. Last of all, and most important, the legislation would establish an advisory council within HUD to examine the capacity needs of CDCs and provide feedback and measurement of their effectiveness.

This last point is important because with support comes responsibility. When government provides funding for technical assistance and core operating support, CDCs need to meet tough performance tests in return. H.R. 3974 also would provide support to diagnose organizational problems and provide the appropriate technical help to enable groups to fulfill their missions and ensure that the tax dollars of the American people are efficiently and effectively used.

Madame Chair, thank you again for holding this hearing and for your commitment to housing and economic development. I look forward to the testimony of the invited guests this afternoon, as we examine technical assistance and capacity building for community development corporations.

Statement of the Honorable Barbara Lee
Community Development Corporations
Subcommittee Hearing on HR 3974
September 17, 2002

Thank you Madame Chair. Thank you Congresswoman Tubbs-Jones for sponsoring this important legislation, and for arranging this subcommittee hearing today. I am encouraged to see so many of you here who share our concern and commitment to our communities and the future of our communities.

Just last week, during the Congressional Black Caucus' Annual Legislative Conference, Congresswoman Tubbs-Jones and I cosponsored a forum on community development corporations. We brought in community groups from our districts and around the country to learn more about the progress they are making in building better and more livable communities and to hear more about their real and growing need for both technical and financial assistance.

Providing this assistance and passing this legislation is essential because community development corporations have the community presence, networks, and leadership building capacity enabling neighborhoods to plan and monitor for developing livable communities. CDCs are in a position to promote greater community awareness about the importance of housing, education, early childhood development, and economic healing.

By using "two-generation approaches" to the more vulnerable families in the community, paying close attention to school readiness strategies and outcome indicators; and leading or participating in strategic community planning for young children and families cdc's and policy makers end the cycle of poverty throughout our neighborhoods. We strengthen communities and build for their futures through their youth.

Community development corporations are increasingly asked to undertake housing and business development projects and provide extensive social services in distressed and neglected neighborhoods. Funding is intensely technical and requiring many times ten to fifteen different funding sources for programming. Imagine the complexity of each funding source: measuring federal and state tax credits, balancing some of them multi-year, establishing equity and debt sources, and sifting through a variety of federal, state, and local funds.

Very little of the $15 billion the federal government invests in community revitalization is distributed for technical assistance to build capacity of practitioners operating in low-income distressed communities. The vast majority of the funds are distributed through tax credits to investors or to government entities primarily for project support. The greater part of federal community revitalization programs have no technical assistance or capacity building funds.

Understanding of these technical-funding streams and how to manage them is difficult for groups weighing their community's needs and their organization's limits. H.R. 3974 is a good step in helping those who help so many others. That's why I am proud to be a cosponsor of H.R. 3974, the Community Economic Development Expertise Enhancement Act.

I look forward to this discussion and moving HR 3974 out of committee and onto the House floor. Ending homelessness, supplying the tools for access to health care and end of life care, building on our communities of faith, and linking and strengthening communication between people and policy makers are just a few of my goals. By working together and strengthening our commitments to our communities and the organizations that serve them best we can and will succeed in achieving our goals.

Thank you-

Testimony of
Reese Fayde,
Chief Executive Officer
Living Cities: The National Community Development Initiative

To the Subcommittee on Housing and Community Opportunity
Committee on Financial Services
U.S. House of Representatives
September 17, 2002

Good afternoon, Madame Chairwoman and members of the Subcommittee. I am pleased to be here this afternoon to discuss the work of Living Cities: The National Community Development Initiative, how Congress and the Administration have played a vital role in our work, and how we help to build the capacity of nonprofit community development organizations (CDCs) around the country.

As the largest and longest standing public-private partnership supporting community development organizations across the country, Living Cities is a strong supporter of increased funding for capacity building in non-profit community development corporations. As the NCDI experience has demonstrated, increased federal funding through programs like Section 4 will increase private sector investment, improve CDC access to public and private sector funds for community development projects, and increase the range of programs and services CDCs are able to provide in their communities. Promoting healthy and vibrant communities, which form the cornerstone of successful American cities, is one of the primary goals of Living Cities.

Building the capacity of CDCs and acting as a catalyst for supportive local partnerships has made a tangible difference in many cities. By the end of our first decade of investment, $254 million in loans and grants had been contributed by NCDI funders, including HUD, which leveraged $2.2 billion in CDC projects. Almost 20,000 units of affordable housing were built, and 1.7 million square feet of commercial and community-use facilities were completed by CDCs in 23 cities.

Background on Living Cities: the National Community Development Initiative

Living Cities: the National Community Development Initiative is a new name for the well-established community development support collaborative formerly known as the National Community Development Initiative (NCDI). Our new name reflects our belief, based on our first ten years of investing, that neighborhood-based community development work is essential to promoting the health and sustainability of entire metropolitan regions. Our goal of supporting vibrant cities and neighborhoods is achieved by applying the "business of community" to the revitalization task. That means building business, finance, governmental and community networks and relationships.

Living Cities was begun in 1991 as a partnership among eight private sector funders – including seven national foundations and one financial service corporation – to help add impetus to the work of community development and nonprofit community development corporations (CDCs) in major cities across the country. Our funders sought to build the capacity of nonprofit CDCs and help them gain broader access to conventional private sector financing to accomplish their work, with the goal of revitalizing physically and economically distressed neighborhoods.

Living Cities has grown to include 15 private sector funding sources (see Attachment 1) and the U.S. Department of Housing and Urban Development, which joined in 1994 through Congressional appropriations that have been maintained since that time, through Section 4 Capacity Building for Community Development and Affordable Housing funds.

Over the first 10 years of Living Cities, more than $250 million was raised, of which more than $210 million came from private sources in the form of grants and loans. Last year, on the tenth anniversary of the start of the initiative, the funders made the extraordinary new commitment for another ten years, with a doubling of their funding commitment to $500 million.

We rely on CDCs as a major vehicle to achieve the goal of improved neighborhoods. You will be hearing from others today, like the National Congress for Community Economic Development, about how CDCs have proven themselves as producers of affordable housing, commercial and community space in low-income neighborhoods nationwide. Our CDC support is generally targeted to 23 cities nationwide (see Attachment 1 for a list of these cities) and is provided primarily with and through two national community development organizations also represented here today – The Enterprise Foundation and the Local Initiatives Support Corporation (LISC). These organizations operate as intermediary entities for us, providing technical support and financing mechanisms to CDCs that enable these local groups to effectively use our resources in completing their revitalization agendas.

Living Cities: A Model for Change

We strongly believe, as further detailed in our "Lessons from the National Community Development Initiative's First Decade" attached to this testimony as Attachment 2, that the capacity of CDCs to be effective agents of change in their communities depends upon many factors, including the existence of sustainable and supportive local systems that provide financial and technical support; investors that insist on accountability and performance standards; and strong public sector support for their activities.

With limited funds, we cannot directly support every organization or every good idea, and so we have concentrated our resources and demanded delivery for our investment. For the past eight years, we have chosen to fund community development in 23 large cities. In each city, our resources are building the capacity of individual CDCs – some 300, according to Enterprise and LISC – but we also are investing in the growth and maturation of the environment in which the CDCs work. Part of our learning over the past 10 years is that neighborhoods cannot be healthy unless they are linked to the political and economic world around them.

Along with, and part of, our investment in system building at the local level, Living Cities funders have expressed clearly that they expect outcomes. Thus, each community that receives Living Cities support has to develop a specific workplan with measurable outcomes. If the community cannot achieve those outcomes, we have reserved the right – actually we expect – to reduce or eliminate funding.

In our current 3-year funding round, the workplan benchmarks include a variety of expectations, mostly in three categories – boosting CDC core competencies, improving the local environment for development, and increasing and broadening the production of our CDCs.

- In the core competency area, some of the cities have identified outcomes such as improving the management of previously built housing, expanding the recruitment of minority and neighborhood people into the field, and assisting CDCs learn more about strategic planning.
- In the system and environmental improvement area, benchmarks concentrate on improving the visibility of community development to attract more resources, and streamlining financing systems.
- The cities' production benchmarks include specific goals to increase the production of affordable housing, expanding commercial development, and tackling community development in a more comprehensive way (e.g., not just doing disconnected projects).

Living Cities: Producing Real Results for Communities

In the first decade of our work, Living Cities has had a demonstrated effect in several key areas of community development, including directly enhancing CDCs' capacity to develop affordable housing and community facilities, and engage in economic development projects. However, we believe that perhaps our most significant contribution has been to demonstrate how to change the environment in which this development occurs, thus increasing the sustainability and effectiveness of the public and private investments in CDC work. For example, our efforts have led to a significant increase in private sector investment, leveraging many times over the public sector investments made. In addition, we have focused on building the sustainable local community development systems of support and funding for CDCs and their work.

***Building Sustainable Systems of Support*:** During our first ten years, we sought to demonstrate that communities and the CDCs that serve them would benefit from the development of stronger local and national systems of support. In addition to the creation of Living Cities, a national support system, we chose to focus our limited resources in supporting CDC projects and in investing heavily in CDC organizational capacity in 23 cities. According to an upcoming Urban Institute report, *Community Development*

Corporations and their Changing Support Systems, "NCDI played a key role in catalyzing CDC gains over the 1990s".

Prior to the 1990's, support for CDC initiatives had been largely ad hoc and poorly coordinated. However, by decade's end, community development support "systems", comprised of the interrelated people and institutions that mobilize money, expertise, and political support for community development, were created that helped to make investments "more rational, entrenched, and effective". The Urban Institute concludes,

> As prominent aspects of these systems, governments, financial institutions, and philanthropic organizations came together to create new collaborative bodies to support CDCs. These bodies linked CDCs to money, expertise, and political power. They attracted resources from local and national sources and channeled them to CDCs as project capital, operating subsidies, and technical assistance grants. They also engaged civic and political leaders in a neighborhood improvement agenda.
>
> Two national intermediary organizations—the Local Initiatives Support Corporation (LISC) and The Enterprise Foundation (Enterprise)—can take major credit for the creation and growth of these new local collaboratives. Through their network of field offices in nearly 60 U.S. cities, LISC and Enterprise aggressively promote nonprofit community development and invest directly in CDC projects.

Leveraging Public and Private Investments: One of the primary goals of Living Cities is to leverage our funds with additional investment. We can count leverage at two levels: the national and the local.

At the national level, the federal funds – which Section 4 requires be matched on a 3-to-1 basis – leveraged over five private dollars for every federally-appropriated dollar. Living Cities brought new funders to community development. These funders joined this unique partnership because of the importance of its mission, its structure, and the fact that we employ a set of standards in our grant and loan-making which ensure the funders that tangible results will come from their investment.

Part of the uniqueness of Living Cities has been its ability to involve the Presidents of the foundations and chief lending officers of the financial institution members in our deliberations. This is not "just another" commitment that these funders make, but a deep giving and learning experience for them. Living Cities has provided an opportunity for these 16 organizations to talk about how our cities and inner-city neighborhoods are working – and see how their involvement can be maximized. It has resulted directly in changes in how a number of philanthropic partners fund urban revitalization, including increasing the funds they are committing to community development.

Most basically, Living Cities dollars are early, flexible, patient and have made a real difference. The Urban Institute report continues:

> In some cities, the LISC or Enterprise [NCDI] funds attracted new predevelopment and construction funds from private lenders, as shown by the extensive field research conducted for this report. In Chicago, for example, NCDI funding no longer needs to be used for predevelopment because local banks now provide it at competitive rates. Field research also suggested that long-term

> financing for CDC projects became more readily available; i.e., CDC projects that earlier might have struggled to find permanent finance from private banks on affordable terms were in the enviable position of having multiple banks vie with one another to make loans.

CDC Results: The Urban Institute has documented that Living Cities has had a direct, substantial and multifaceted impact on the development of affordable housing, commercial-use and community-use facilities.

First, they reported that approximately 300 CDCs, ranging from small brand-new ones formed in the early or mid-1990s to sophisticated organizations that have developed thousands of homes over the past two or three decades, received some support from our resources in the 23 cities. Almost 20,000 homes and apartments built or renovated using Living Cities funds. Interestingly, contrary to myth, not all of the units developed by the CDCs were rental units. They also include about 6,600 new homes built for sale to working class families, representing about one-third of all Living Cities-assisted homes – and this figure is growing fast. The importance of ownership housing as a way to build community stability and increase the assets owned by people in our neighborhoods has been well established. We are proud that Living Cities funds were instrumental in helping build over half of all ownership housing assisted by LISC and Enterprise in such cities as Cleveland, Boston, Seattle, Phoenix, Indianapolis and Kansas City.

The Urban Institute points out that in many of our 23 cities, the local CDCs are the largest developers of affordable housing. In part, this is because the size of their projects has grown to over 50 units each, on average. We believe some of that is also because we and our intermediary partners have chosen to invest substantial funds in CDC capacity building. In the first decade of Living Cities, about $60 million went directly into CDC capacity building programs in the 23 cities, and approximately 2/3 of all of the CDCs that received Living Cities project support also received this capacity building support.

The CDCs have also become adept at a wider range of development activities in the 1990s, including now the development of charter schools, health and child care centers, retail facilities, anti-crime programs, youth and elderly programming, and the preparation of families to become homebuyers. It may not be surprising then that the number of CDCs able to build 10 units or more of affordable housing per year, according to Urban Institute standards, jumped 63 percent from 1991 to 2001. The CDCs assisted with NCDI resources also developed almost 1.7 million square feet of commercial and community-use facilities, representing about half of all such production by CDCs in these 23 cities.

Not only have the CDCs grown, but their neighborhoods and communities have benefited from their increased capacity. According to an Urban Institute survey of the capable CDCs, 88 percent of the CDCs' neighborhoods had signs of increased property values during the first ten years of Living Cities, 83 percent pointed to improved physical appearance, 73 percent felt there was more private development of housing and 61 percent more private development of retail spaces. And, 73 percent could point to increased private sector lending in their communities.

CDC Needs: We strongly believe that CDCs are extremely effective vehicles for improving communities. However, CDCs need to be strong so they can funnel investment into neighborhoods, foster better community involvement, and create the partnerships needed to maintain the improvement they have begun.

Thus, we feel that it is necessary to build CDC capacity across several areas, and not just in project development. With Enterprise and LISC, we have identified six core competencies – and expect to see growth, where needed, in all of them. Our competencies are: effective program delivery; strong strategic alliances; sound information technology use; strong community leadership; effective governance and internal management; and the capacity to attract and generate financial and human resources.

To further address these issues, many of which are business management issues, we have approached the Robert J. Milano Graduate School of Management and Urban Policy at the New School University for assistance. Their work at devising management tools, distance learning programs, diagnostic approaches, recruitment and human resource techniques will be made available to all practitioners in the community development field. Similarly, work Living Cities is supporting in the information technology area is also expected to have a broad impact on the field. But the needs of the field far outstrip the available resources. We have demonstrated that strategic investment of resources can have measurable impact in inner-city neighborhoods. H.R 3974 represents an opportunity to deepen the impact of CDCs to rebuild and sustain healthy communities.

The Case for Increased Federal Action

The Living Cities funders are proud of the accomplishments of the first ten years of Living Cities, which is why they chose to commit significant additional resources for the next decade. We will continue to work with LISC and Enterprise, but have also committed to work on several new endeavors, including a new technology initiative, a more concerted policy and learning effort, and a pilot cities demonstration program which is aimed at coordinating the community development work of our partners, government agencies and other contributors to have a deeper impact in selected neighborhoods. Our efforts in the Research/Policy arena, as well as the Pilot Cities Initiative, both have as their primary focus enhancing neighborhood economic development: strengthening the capacity of neighborhoods and their residents to effectively participate in their regional economy.

However, despite the significant gains made in Living Cities communities during the first decade and our ambitious plans for the next, we have learned that future gains will be severely limited without additional federal investment. Federal agency support is required both financially and as participants in the conversations on how our cities can and must change if they are to be vibrant places in which to live, work and raise a family.

I again thank you for today's opportunity to talk about CDCs and Living Cities, and I would be happy now to answer questions you may have.

Attachment 1

Living Cities Funders:

U.S. Department of Housing and Urban Development
J.P. Morgan Chase & Company
Bank of America
Metropolitan Life Insurance Company
The Prudential Insurance Company of America
The AXA Community Investment Program
Deutsche Bank
John D. and Catherine T. MacArthur Foundation
The Rockefeller Foundation
The Annie E. Casey Foundation
W.K. Kellogg Foundation
John S. and James L. Knight Foundation
Fannie Mae Foundation
Robert Wood Johnson Foundation
The McKnight Foundation
Surdna Foundation
Office of Community Services of the U.S. Department of Health and Human Services

Living Cities Locations:

Atlanta	Denver	Philadelphia
Baltimore	Detroit	Phoenix
Boston	Indianapolis	Portland
Chicago	Kansas City	San Antonio
Cleveland	Los Angeles	San Francisco Bay Area
Columbus	Miami	Seattle
Dallas	New York	St. Paul/Minneapolis
	Newark	Washington, D.C.

Attachment 2:

A Working Model for Healthy Cities: Lessons from the National Community Development Initiative's First Decade

A Working Model for Healthy Cities:

Lessons from the National Community Development Initiative's First Decade

August 2002

The Health of Our Cities

Cities are vital to American life. They are our centers of commerce, culture, government, sport and industry, and they harness much of our nation's energy and productivity. They are the focal points for young people seeking fame and fortune, immigrants in search of the American Dream, and everyday folks looking to be awed, excited and entertained. It's hard to imagine what America would be like without its fourscore or more vibrant urban centers.

The start of the 21st century finds America's cities healthier than in the recent past, but far from uniformly so. The economic boom of the last decade has been uneven in its impact. While cities have enjoyed substantial gains, many still lag their suburban neighbors in job and economic growth. For example, while poverty has declined in central cities, urban poverty rates are still twice as high as in suburban areas—16.1% versus 7.8% in 2000.[1] Business growth in urban areas trails growth in the suburbs by half.[2] Increases in jobs and wage levels have been accompanied by higher costs of living: the price of rental housing in many cities has risen at one-and-a-half times the rate of inflation.[3]

A truly healthy city harbors neighborhoods spanning the full socioeconomic spectrum: affluent, middle and working class as well as those who are struggling. A vigorous city needs people of all stripes, interests, occupations and backgrounds living close to and interacting with one another: teachers as well as financiers; social workers and CEOs; shopkeepers, health-care professionals, construction workers and nurses; students, software engineers and electricians. A healthy city provides a diverse mix of safe, prosperous neighborhoods for all of these people and a myriad more to make their homes. This is a tall order: cities have long been daunted by how to prevent poorer communities from slipping into the urban decline and decay that has been too much in evidence in recent decades.

The National Community Development Initiative (NCDI) has been working to improve inner cities—often successfully, sometimes not—for the last 10 years. Its experience has shown that community institutions—in this case, community development corporations, or CDCs—are contributing tangibly to the social and economic health of inner-city neighborhoods. Founded in 1991 by a group of private foundations and financial-services corporations, NCDI has provided more than $254 million in direct financial support from corporate, nonprofit and government funders to CDCs in 23 cities across the United States. This investment has attracted an additional $2.2 billion in funding for inner-city revitalization from more than 250 state and local partners, including state and city governments, foundations, banks and other corporations.

By conducting the "business of community," that is, combining expertise in business and finance with community networks and relationships, CDCs have used funds from NCDI and other sources to rebuild and rehabilitate thousands of new homes and rental apartments, as well as spearhead the development of commercial, community and mixed-use facilities in low-income neighborhoods nationwide.

As NCDI launches its second decade, it's clear that the field it helped to grow is working, and can be even more effective in the future. The NCDI model of pulling together the considerable capabilities of diverse entities with a common interest in urban revitalization—

foundations, banks, financial services companies, government agencies—and channeling those resources to local organizations that combine business know-how with community-based self-interest—is a powerful catalyst for combating neighborhood decline.

It's also clear that CDCs, even with the support of NCDI, can't do the job alone. Their success—and the task of turning around poor neighborhoods generally—depends on a host of conditions, such as federal policies and financial support that is flexible and fosters local innovation, leadership and efficient governance at the municipal level, timely and accurate information on urban conditions and assets, and, equally important, more private capital and investment.

Equipped with lessons from the last 10 years, NCDI starts its second decade with more partners, greater resources and a deeper understanding of what works and what doesn't. It recommits with a new name as well, *Living Cities,* that reflects its focus on both supporting community revitalization and articulating broader approaches that can sustain and contribute to the livelihood of America's urban centers. This paper charts the successes that NCDI has helped produce and the lessons it has learned that will guide its activities in the next decade.

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Strengthening Community Development

While the issue of how best to revitalize distressed inner-city neighborhoods remains a challenge, there is promise. The exodus from cities in the 1960s and '70s led to the decline of numerous urban neighborhoods. Attempts to resurrect decaying communities ran headlong into hard economic and demographic realities: as middle-class people migrated out of cities, so too did businesses and private capital, accelerating both physical and social disintegration.

No one image has better represented urban distress than that of blighted, abandoned housing. And the solutions aren't easy. For example, the costs of renovation or reconstruction of housing in poor neighborhoods are often greater than those of working in better-fixed communities because of the difficulties of assembling funding and the need to work with a network of government agencies. There is often little market incentive for private developers to take on such challenges since low rents and resale prices promise meager returns.

As community-based organizations, CDCs work to overcome these challenges and pursue opportunities that for-profit developers do not find economically feasible. With a combination of government and private support, CDCs produce housing that low-income residents can afford. In so doing, they can also reverse the cycle of decline by demonstrating the economic viability of a neighborhood and over time encouraging private capital to return and reinvest.

Most CDCs were founded by local residents as community self-help organizations. Not surprisingly, in their infancy they faced the challenges experienced by most start-up industries: inadequate financing, staffing, management expertise, leadership and governance. Most had to seek assistance on an ad hoc basis from foundations, city governments or other sources.

Attracting Private Investment in Boston

Perhaps no challenge is more daunting or more important for community development corporations than that of attracting businesses to distressed communities.

The economic challenge faced by CDCs is that the cost of building the physical structure in a poor community is the same as in a dense, thriving, downtown community. Yet the amount of money a developer can charge to tenants of such a property is often 40 to 60 percent less than they can charge at a downtown establishment.

The Dorchester Bay Economic Development Corporation, a CDC that serves the north Dorchester and eastern Roxbury sections of the city, played the role of first mover and developer of the recently completed 65 Bay Street project.

The Bay Street project is a $13.4 million, 80,000-square-foot office and industrial development. The site of a former manufacturing company, 65 Bay Street was polluted and required an extensive cleanup. After 10 years of work by the Dorchester Bay Economic Development Corporation, the project was completed in June of 2002. The building will soon be occupied by Spire, a high-tech printing company that will employ about 40 people.

From its inception, NCDI has sought to strengthen the community-development infrastructure. According to the Urban Institute, a Washington-based nonpartisan policy-research and educational organization,[4] the 1990s witnessed "an institutional revolution" in community development. "Support for CDC initiatives had been largely ad hoc and poorly coordinated before 1990. By decade's end, support for CDCs had become more rational, entrenched, and effective."[5]

A portion of this institutional revolution can be credited to NCDI, which was launched with two principal goals: 1) assist the development and maturation of local systems that support community development, i.e., build CDC capacity, and 2) increase the availability of usable long-term financing for CDC-developed projects; that is, channel and attract more money to CDC developments.[6] To ensure that there was on-the-ground knowledge and expertise to make informed funding decisions in multiple locations, NCDI chose to work through two intermediary organizations with successful track records of funding and providing technical assistance to community-development programs and CDCs: the Local Initiatives Support Corporation (LISC) and The Enterprise Foundation. Additional foundations, financial services companies and the U.S. Department of Housing and Urban Development later joined the original eight NCDI partners. In its first decade, NCDI dispensed $254 million to support the work of some 300 CDCs.

NCDI Funders[7]

AXA Community Investment Program - Bank of America
The Annie E. Casey Foundation - Deutsche Bank
The Fannie Mae Foundation - The Robert Wood Johnson Foundation
W.K. Kellogg Foundation - John S. and James L. Knight Foundation
John D. and Catherine T. MacArthur Foundation
The McKnight Foundation – Metropolitan Life Insurance Company
J.P. Morgan Chase & Co. – The Prudential Insurance Company of America
The Rockefeller Foundation – Surdna Foundation
United States Department of Housing and Urban Development
United States Department of Health and Human Services

Working through LISC and Enterprise, NCDI provided two types of support badly needed by CDCs: loans for development activities and grants for core operations, community programs and technical assistance. For example, in 16 of 23 cities, NCDI provided seed money for new operating-support programs.[8] NCDI funds have also been used to engage other participants in the community-development process, using its investments to leverage their support.[9]

NCDI assistance helped many CDCs expand beyond strict housing development into other neighborhood-improvement activities such as economic and work-force development and community organizing. NCDI's support for capacity-building programs not only enabled hundreds of CDCs to improve their operations, it also helped demonstrate that CDCs can mount sophisticated, multipronged attacks on the problems afflicting inner-city neighborhoods.[10]

High Impact Funding for Affordable Housing

NCDI has had a direct, substantial and multifaceted impact on the development of affordable housing in the United States. In the 23 cities in which it financed CDC work, NCDI dollars were instrumental in the development of almost 20,000 units of affordable housing during the 1990s—7,000 new homes and 13,000 rehabilitated or new rental apartments. Moreover, NCDI funding helped produce 1.7 million square feet of commercial, community and "mixed-use" real-estate development. This included 1.3 million square feet of commercial and industrial space and 107,000 square feet of community facilities such as police substations, health clinics, and community and child-care centers. Research by the Urban Institute has found that property values in some CDC-developed neighborhoods have risen by more than they would have absent CDC programs. In at least two NCDI cities, Portland, Oregon, and Denver, property values rose by 50 percent more than they would have otherwise.[11]

Direct development funding is only part of the NCDI story, however. NCDI dollars have been critical in other ways. Because of the uncertainty that surrounds many inner-city development projects, early property acquisition and pre-construction financing is often the most difficult to obtain. Without this funding, a project cannot get off the ground (and the major government housing subsidy programs—the Low Income Housing Tax Credit and the HOME programs—cannot be brought into play). NCDI has earmarked the lion's share of its funding, more than 90 percent, to "high-risk acquisition, pre-development and construction phases of projects,"[12] thereby allocating money where more risk-averse funders fear to tread and where it can have the biggest possible impact on the development process.

Restoring an Historic Area

The area along Auburn Avenue in Atlanta, just east of the city's downtown, became famous as "Sweet Auburn," a thriving community of African American businesses and professionals.

But with the demise of segregation came the demise of Sweet Auburn. By the 1980s, the area was marked by a growing number of vacant and dilapidated houses that attracted prostitutes and drug dealers.

The Historic District Development Corporation (HDDC) was started by the Martin Luther King Jr. Center for Nonviolent Social Change to rehabilitate the houses that surrounded the block of the King birth home. Once that project succeeded, residents decided to keep the organization going.

The HDDC has rebuilt 15 full blocks in the historic district. Though there are still abandoned houses in the area, the progress made by the group has been impressive.

This funding strategy helps explain the tremendous leverage that LISC, Enterprise and local CDCs have achieved with NCDI funding. The $163 million directly invested through NCDI has supported development projects with a total value of more than $2.2 billion. In other words, in funding some 472 projects over 10 years, NCDI put up 7 percent of the total funding, but that 7 percent was instrumental in attracting the other 93 percent and in making 20,000 units of affordable housing a reality.[13] Moreover, as the Urban Institute found:

> In some cities, the LISC and Enterprise funds attracted new predevelopment and construction funds from private lenders, as shown by the extensive field research conducted for this report. In Chicago, for example, NCDI funding no longer needs to be used for predevelopment because local banks now provide it at competitive rates. Field research also suggested that long-term financing for CDC projects became more readily available, i.e., CDC projects that earlier might have struggled to find permanent finance from private banks on affordable terms were in the enviable position of having multiple banks vie with one another to make loans.[14]

NCDI funds have also played a key role in helping LISC, Enterprise and local CDCs enter the ownership housing market in the 1990s. For-sale development in declining communities is a significantly more difficult, complex and high-risk business than developing rental units, since it involves more subsidies, lower densities and marketing that is more intensive. It is not surprising that the results of these undertakings have been mixed.[15] Nonetheless, NCDI funded more than 6,600 for-sale units, or 54 percent of those developed with LISC and Enterprise money, with pre-development or construction financing in such cities as Cleveland, Boston, Seattle, Phoenix, Indianapolis and Kansas City, Mo.[16]

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What We've Learned:
Lessons From NCDI's First 10 Years

With a decade of support for 300 CDCs working in neighborhoods across the country, NCDI has distilled lessons that point to both the challenges and promising opportunities for rebuilding urban communities. Here are six lessons that will contribute to the future work of *Living Cities.*

1. Affordable housing remains a critical issue.

The ability to maintain a comfortable home in a safe community is a cornerstone of the American Dream. Millions of Americans, while they might benefit as owners from the increasing value of their homes, also worry about the impact of rising property values on the makeup of their neighborhoods. They know that if they wanted to buy or rent their homes today, they could not afford to. By the end of the 1990s, more than one in eight households, over 14 million, were severely burdened with housing costs that exceeded 50 percent of their incomes.[17] Affordable housing is not just a challenge of the inner city. It's an issue that affects millions of Americans, and we feel it daily.

The issue of affordable housing remains critical in urban communities and for the many low-income families who call them home. For example, more than 4.5 million low-income people in central cities lacked an affordable or adequate place to live in 1999.[18] Federal assistance remains critical to addressing this challenge, and CDCs are viable entities for turning dilapidated housing stock into livable homes, if supported with financial resources, political will and community buy-in. Community development is not a panacea, and it takes time to work. But we now have the capability and expertise to solve one of the problems that long seemed completely intractable to many Americans.

2. Revitalizing poor neighborhoods is hard work, but it can and is being done.

The work in 23 cities supported by NCDI provides solid evidence that it is possible to make a difference in poor urban communities: block by block, street by street, a neighborhood, and even multiple neighborhoods in a given city. In 19 of the 23 cities, there is visible and tangible evidence of neighborhood improvement. In eight of them, it happened in multiple neighborhoods. NCDI can point to several ingredients, including funding for local projects, organizational and technical support for CDCs, and efficient city government regulatory and administrative structures.

NCDI contributed two of these ingredients—loans and grants—and they were put to very good use. These dollars were used to spark investments where private capital was lacking. They were used to experiment with new financing tools to expand home-ownership programs, build child care and health facilities, and start new commercial ventures.

3. ***Community development requires government support and cooperation at all levels—federal, state and local—to work.***

The vagaries of economics and the private market do not support community development, so the laws of society need to lend a hand. The costs of development in poor communities are at least as great as that in well-to-do neighborhoods. At the same time, rents are lower, sale prices cheaper, risks greater and the chances of default higher. Even with the assistance of organizations like NCDI, LISC, Enterprise and many other foundations and corporations, CDCs need government help in the form of financial subsidies and cooperation to do their jobs. Federal government housing-subsidy programs such as the Low Income Housing Tax Credit, the Community Development Block Grant and the HOME program (not to mention HUD participation in NCDI itself) have long proven effective. Their perpetuation is essential to continued success.

At the same time, municipal government cooperation and support is equally critical—but not universally guaranteed. Research shows that CDCs operate most effectively in cities where the municipal government is a cooperative partner supporting the CDCs' activities.[19] However, municipal governments vary greatly in their commitment to community development and their relationships with local CDCs.

CDCs and a City Partner to Address Blight

Thanks to a partnership between the city of Cleveland and its community development corporations, significant progress has been made to reduce Cleveland's blight and to revitalize decaying neighborhoods.

In the past decade, CDCs in the city helped attract more than $308 million in neighborhood investment, according to the Cleveland Neighborhood Development Corporation, a trade group. This includes the construction of more than 4,000 new or rehabilitated homes and rental apartments and 800,000 square feet of commercial and retail space and industrial property.

"The city of Cleveland has been an amazing partner in community development in Cleveland," says Kate Monter Durban, assistant director of the Cleveland Housing Network, which provides centralized services for about 22 local CDCs. "It's not just that the city is efficient--it's proactive and super smart."

During the 1990s, for example, the city increased the amount of Community Development Block Grant money allocated to CDCs by 90 percent. The city also established a Housing Trust Fund, which allocates funds to CDCs on a competitive basis for affordable housing projects.

Further, many cities continue to face challenges with respect to the disposition of municipally owned or controlled property. Since CDCs redevelop tax-delinquent or otherwise disused real estate, such bureaucratic barriers pose constraints on their ability to develop new housing. While there are certainly exceptions—New York and Cleveland are two—many developers cite inefficient procedures and regulations governing public-land acquisition and disposition of tax-delinquent properties as one of their most significant challenges.

4. ***CDCs need further strengthening.***

CDCs vary widely in their quality of management, financial backing and operational support. While many receive adequate to good ratings from LISC and Enterprise for quality improvements, management and governance, a number of major CDCs collapsed during the decade owing to overcommitment, undercapitalization and poor decision making.[20] Lax accountability and the absence of strong controls also can lead to the possibility of financial mismanagement and abuse.

Some CDCs continue to be highly vulnerable to adverse developments, and their continued progress requires equal attention to project funding and operational support. CDCs operate in a high-risk business. It is difficult to recruit and retain high-quality management and staff. Funding is in short supply, particularly for nondevelopment-related, administrative needs. There are always more projects than resources, and the temptation is constantly present to take on a new project because of its potential community impact while overlooking the equally high potential for stretching the CDCs limited capabilities past their breaking point.

Moreover, CDCs are most effective when they operate strategically and with a long-term focus. Real-estate development is a transactional business, but community revitalization requires multiple transactions guided by a common strategy. Research shows that "CDCs have achieved the broadest results where they pursued a consistent redevelopment strategy over time, supported by strategic alliances with other neighborhood and citywide actors. Cities that had created the best community development support systems throughout the 1980s and 1990s, had created by the end of the 1990s a cadre of multiple strong CDCs able to pursue neighborhood revitalization for the long haul."[21]

By providing multiyear commitments of support and by funding high-impact projects, NCDI monies can help CDCs follow consistent strategies and maintain a long-term focus. Further investment in capacity building and operating support programs will also help strengthen CDCs as operating entities. Facilitating the exchange of ideas and best practices across the patchwork network that is the CDC industry today can help empower both individual CDCs and the field generally. NCDI is in an excellent position to assist in these areas.

5. ***CDCs can and are expanding from their core work of affordable housing development, but success will take time.***

Undertaking such activities as community planning, work-force development and community organizing would appear to be a natural extension for an established community organization such as a CDC, especially one with existing government, business and neighborhood relationships and proven skills in pursuing economic development initiatives. For just these reasons, CDCs are often cast in a community-building leadership role. NCDI has funded a number of broader CDC initiatives including economic-development programs in Boston and Chicago, work-force development in Denver, New York and Chicago, community organizing in Boston and

Kansas City, Mo., child-care facilities in New York, health care in Los Angeles, comprehensive initiatives in Chicago and Cleveland, and community-safety programs in Cleveland and Atlanta.[22]

There are drawbacks, however. The collaboration with other institutions that is required for such activities is both time-consuming and difficult to sustain. Funding is hard to come by, and the goals and parameters of such projects are often poorly articulated and fluid. CDCs that are already stretching their management and financial resources to the breaking point risk undermining their development capabilities by trying to take on broader projects. Moreover, programs such as work-force development require that CDCs develop entirely new sets of skills, management systems, and relationships and funding, many of which represent a complete departure from existing capabilities.[23]

CDCs and their funders should not necessarily eschew such new initiatives. But, they do need to consider carefully what expanded activities they take on, the likelihood of their success and the impact of these additional responsibilities on their core housing-development capabilities.

The New Communities Initiative

In the past decade, community development corporations throughout the nation have compiled an impressive record of building housing for residents of low- and moderate-income communities.

In Chicago, LISC's New Communities Initiative is building upon its work in affordable housing in order to assist communities to create the other elements that make for healthy neighborhoods. Access to jobs and job training for residents who need work, the presence of parks and playgrounds, strong neighborhood associations to address challenges and resident concerns, a healthy retail community, and a sense of public safety—these are some of elements that make for thriving communities.

Through collaboration with the Chicago Park District, the Trust for Public Land and KaBoom, six new open space projects are now underway, including new playgrounds, community gardens, and the acquisition of new park land. These projects are expected to leverage over $5 million in public and private funds.

On the employment front, each neighborhood now has an employment center run by Project Match, which provides informal information for jobs, resume preparation and intensive case management for residents needing long-term assistance adjusting to their jobs.

6. ***Partnerships like NCDI can be transforming.***

The parties involved in community development through NCDI—foundations, financial institutions, nonprofit intermediaries and federal agencies—have long invested individually in urban revitalization according to their own goals, priorities and agendas. But, as they have worked together over the last 10 years, the role of each has underscored and reinforced the involvement of the others and magnified their collective impact.

Foundation support at the early and highest-risk stages of development gives a level of comfort to banks and other financial institutions that a local project has national backing and quality assurance. In their intermediary roles, LISC and Enterprise each bring more than two decades of development expertise at both the local and national levels. The U.S. Department of Housing and Urban Development brings a different order of financial resources into play; its involvement is facilitated by the private sector already being financially engaged. Local CDCs provide an otherwise hard-to-find combination of capabilities: the business and financial expertise necessary to pull off complex and risky real-estate development transactions and the community-based understanding of neighborhood needs that gives them credibility with local residents and community leaders. And as stated earlier, the grants and loans provided by the partners have leveraged billions for low-income neighborhoods.

It is this unusual mix of reinforcing relationships—and the results they have achieved—that has led the vast majority of NCDI's funders to sign on enthusiastically for a second decade. It is this decade of experience that has encouraged them to commit to a much deeper level of participation and jointly pursue broader aspects of urban conditions.

There is every expectation that *Living Cities* will play a greater role in fostering the health of America's cities in the decade ahead.

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Appendix 1

NCDI Cities

Atlanta
Baltimore
Boston
Chicago
Cleveland
Columbus (Ohio)
Dallas
Denver
Detroit
Indianapolis
Kansas City (Mo.)
Los Angeles
Miami
Newark (N.J.)
New York
Philadelphia
Phoenix
Portland (Ore.)
San Antonio
San Francisco Bay Area
Seattle
St. Paul (Minn.)
Washington, D.C.

Appendix 2

NCDI by the Numbers: Intermediary Outputs in NCDI Cities 1991-2001

	Total		NCDI Total		% NCDI
Affordable Housing Production					
Tax-Credit Rental Units	37,647		3,302		9%
Non-Tax Credit Rental Units	32,034		9,370		29%
For Sale Units	12,287		6,614		54%
Total Units	81,968		19,286		24%
Non-Housing Production					
Commercial/Industrial	2,872,828	square feet	1,332,903	square feet	46%
Community Facilities	563,893	square feet	132,843	square feet	24%
Mixed-Use	231,900	square feet	208,000	square feet	90%
All projects	3,668,621	square feet	1,673,746	square feet	46%
Development Costs					
Housing	$ 6,117	million	$ 1,411	million	23%
Commercial/Industrial	$ 444	million	$ 168	million	38%
Community Facilities	$ 148	million	$ 31	million	21%
Mixed-Use	$ 952	million	$ 632	million	66%
All projects	$ 7,662	million	$ 2,242	million	29%
Intermerdiay Funding					
Housing	$ 291	million	$ 131	million	45%
Commercial/Industrial	$ 26	million	$ 10	million	37%
Community Facilities	$ 23	million	$ 9	million	40%
Mixed-Use	$ 38	million	$ 14	million	36%
All projects	$ 377	million	$ 163	million	43%

Source: Compiled by the Urban Institute based on information supplied by the Local Initiatives Support Corporation and The Enterprise Foundation.

Note: Includes all projects that received loans or grants from local LISC and Enterprise offices, and all projects receiving low-income housing tax credit –generated equity from the National Equity Fund and various state funds (LISC) and the Enterprise Social Investment Corporation (Enterprise) and their various national, state, and specially designated funds and affiliated funds.

Note: Figures for Housing, Commercial/Industrial, and Community Facilities are for single-use projects only. Any project that contains more than one use such as housing, commercial/industrial, or community facilities have been included in the Mixed-Use category.

Appendix 3

CDC Neighborhood Development Programs

Types of Programs and Activities Carried Out by Community Development Corporations in 1999	Percent of "Capable" CDCs Reporting They Conducted Activity*
Housing Development, including both rental and homeowner housing. CDCs steadily increased their draw from a relatively fixed pool of local housing dollars and other community-development resources.	94 percent
Planning and Organizing, including neighborhood planning, community-organizing and advocacy work, community safety, neighborhood clean-up, and other programs that require active participation of residents and business.	80 percent
Homeownership Programs, including down-payment assistance, owner-occupied housing rehabilitation, prepurchase counseling, emergency repair and other programs to help support or increase the cadre of homeowners in low-income neighborhoods.	69 percent
Commercial and Business Development, including commercial-district improvement and promotion programs, business technical assistance and financing, commercial-building renovation and construction, industrial-loft retention, and others.	60 percent
Work-Force and Youth Programs, including job-readiness training, skills development, youth employment and training, leadership training, and so on.	55 percent
Community Facilities, including health clinics, schools, senior and community centers, homeless shelters, transportation improvements and programs, and other community-use infrastructure.	45 percent
Open Space, including community gardens, parks improvement and maintenance, greenway development and management, etc.	29 percent

Source: 1999 Urban Institute Survey of CDCs in 23 NCDI Cities. Number of respondents: 163.

* The Urban Institute defines a "capable" CDC as one with the capacity to develop 10 or more housing units a year.

Appendix 4

Living Cities Investments
City-by City

The Enterprise Foundation or the Local Initiatives Support Corporation (LISC) manages Living Cities' investments into each of the 23 cities. Funds are provided to both organizations for CDC work in New York City and Washington, D.C.

Atlanta, Ga.

Prior to 1990, Atlanta was a city without a formal community development infrastructure. But since that time, the community development industry has gained credibility and local recognition, with organizational support and technical assistance from various sources, including Living Cities. Enterprise Atlanta, the Atlanta Neighborhood Development Partnership, the United Way of Metropolitan Atlanta and the Neighborhood Reinvestment Corporation have helped CDCs generate tangible results in Atlanta's neighborhoods.

Living Cities has invested nearly $12 million into CDCs in Atlanta.

Baltimore, Md.

Baltimore's community development industry is in a state of transition, moving from a government driven system to one that encompasses multiple approaches to rebuilding Baltimore communities – with city government taking a lead. This approach has complemented The Enterprise Foundation's efforts to build strong, durable CDCs and expand their work beyond affordable housing development.

Living Cities has provided more than $14 million to CDCs in Baltimore.

Boston, Mass.

With Living Cities' support, Boston LISC sought to increase the ability of sophisticated, mature CDCs to respond in new ways to neighborhood needs. Financial support from Living Cities – along with local resources – has enabled the CDCs to build new types of housing and more aggressively foster commercial and retail establishments. Living Cities' funds have also promoted initiatives to strengthen neighborhood businesses and increase the staff diversity at local CDCs.

Living Cities has provided more than $10 million to CDC projects in Boston.

Chicago, Ill.

Living Cities has been the primary financer of LISC's New Communities Initiative (NCI), a $9 million program in Chicago that is helping CDCs in Pilsen, West Haven and Southeast Chicago build on the unique strengths of these neighborhoods. NCI support will enable the CDCs to create new family practice health centers and child care centers, improve parks and playgrounds, provide access to new job training and placement resources, create new housing and refocus on commercial and retail development.

Beyond NCI, Living Cities has provided more than $13 million to CDC projects in Chicago.

Cleveland, Ohio

Living Cities' financial support to CDCs in Cleveland has sought to assist them in becoming highly organized and accountable businesses, capable of linking affordable housing production to broader community development. Today, Cleveland has a core of mature CDCs operating in close partnership with local government, corporations and foundations. Their work is supported by Neighborhood Progress, Inc., (NPI) and the local offices of The Enterprise Foundation and LISC.

Over the past decade, Living Cities has provided more than $12.5 million to CDCs in Cleveland.

Columbus, Ohio

In recent years, Living Cities' funds have been used to strengthen a local funding collaborative that provides operating support, technical assistance and training to neighborhood organizations. In addition, the collaborative has promoted high standards for nonprofit capability, to improve their performance in managing housing, economic development and community safety initiatives.

Living Cities has provided nearly $6 million to CDCs in Columbus.

Dallas, Texas

Financial support from Living Cities has largely supported community development in south and west Dallas, with a host of partners that include the City of Dallas, the Foundation for Community Empowerment, the Real Estate Council, Fannie Mae Foundation, Meadows Foundation, Exxon Mobil Foundation, National Council of La Raza, Southern Dallas Development Corporation, Bank of America, Guaranty Federal Bank, Washington Mutual and other private and public institutions.

Living Cities has provided close to $5 million to CDCs in Dallas.

Denver, Colo.

A growing affordable housing crisis in Denver in recent years has led local funding partners supported by The Enterprise Foundation to place a higher priority on housing production. Research by the Urban Institute indicates that CDC work in Denver communities has been of financial benefit to homeowners in low-income neighborhoods, with property values rising 50 percent more than they would have absent CDC work.

Living Cities has provided nearly $8 million to 25 CDCs in Denver.

Detroit, Mich.

With support from Living Cities, LISC and local CDCs have sought to strengthen the city government's efforts to rebuild ailing neighborhoods in Detroit, focusing on expediting land transfers from the city to community organizations and targeting five neighborhoods where community organizations could manage large-scale projects. This approach has contributed to neighborhood improvement and increased property values.

Living Cities has provided more than $4 million to CDC projects in Detroit.

Indianapolis, Ind.

Living Cities' support enabled community development to come of age in Indianapolis —with CDCs leading large home ownership and rental projects, launching community-building experiments and capturing the attention and imagination of the city's elected officials. Problems at one large CDC, some of which spilled over onto other organizations, led LISC to refocus its assistance on strengthening the core capacity of CDCs, helping them effectively manage and preserve their newly created neighborhood assets and assisting them to diversify their work to include commercial and economic development.

Living Cities has provided more than $11 million to CDC projects in Indianapolis.

Kansas City, Mo.

Funding from Living Cities led to the emergence of the Kansas City Community Development Initiative (KCCDI), a $25-million local funders collaborative modeled after Living Cities. The primary missions of KCCDI are to increase the capacity of CDCs and encourage comprehensive approaches to neighborhood revitalization. Programs underwritten by both entities have reshaped the Kansas City community development environment, resulting in positive change in several neighborhoods.

Living Cities has provided nearly $9 million to CDC projects in Kansas City.

Los Angeles, Ca.

In Los Angeles, the Neighborhood Turnaround Initiative (NTI) was established to help CDCs undertake more comprehensive approaches to revitalizing their communities. Focused on CDCs in seven under-served LA neighborhoods, NTI provided significant grant and loan resources consistently over four years for activities that are designed to have a broad visible impact. The CDCs in the NTI program have increased housing production and built commercial space and community facilities that include childcare centers, youth recreation facilities and cultural centers. CDCs have also tackled community building activities such as community organizing, job training, computer training and business development.

Living Cities has provided nearly $9 million to CDC projects in Los Angeles.

Miami, Fla.

Four years ago, Greater Miami was still recovering from Hurricane Andrew, and the prevailing wisdom called for spurring large-scale housing development. Seasoned CDCs provided temporary housing for displaced poor residents and then expedited the production of replacement housing. The state's Task Force for a Sustainable South Florida was beginning to develop a regional strategy for sustainable economic development that would redirect development initiatives to urban neighborhoods. LISC in Greater Miami responded to the new strategy by facilitating CDC work in central Miami and other older urban neighborhoods.

Living Cities has provided close to $11.5 million to CDC projects in Greater Miami.

Newark, N.J.

Living Cities funding has supported LISC's efforts to increase the number of well staffed and multi-service CDCs that can maintain a pipeline of development projects, foster CDC partnerships with for-profit groups and work with the city to encourage transparency in the development process. LISC has also worked to create more predictable funding pools for housing and economic development projects.

Living Cities provided more than $6 million to CDC projects in Newark.

New York City

CDCs have played a major role in strengthening New York City's neighborhoods through the development of affordable housing and addressing such issues as childcare, economic development and job training. Financial support from Living Cities, through LISC and Enterprise, has served to complement the sophisticated and massive CDC housing initiatives already in existence in New York City, and contributed to helping New York City become a community development laboratory—a testing ground for a variety of creative ventures based on new ideas and new partnerships. For example, funds provided through LISC helped the St. Nicholas Neighborhood Preservation Corporation manage a concentrated community building initiative that includes operating two Beacon Schools. This effort draws on the skills of many local nonprofits and serves many neighborhood children.

Living Cities has provided more than $23 million to CDC projects in New York City.

Philadelphia, Pa.

In recent years, funding from Living Cities has helped eight established CDCs in Philadelphia tackle larger projects. These groups are now completing home ownership and rental developments at greater scale and for a wider range of tenant and homeowner incomes. Complementing their housing work, many have undertaken commercial development activities, including improving existing commercial districts and constructing "high impact" projects such as two new supermarkets.

Over the past decade, Living Cities provided more than $19 million to CDC projects in Philadelphia.

Phoenix, Ariz.

In the early 1990s, a handful of newer CDCs in the Phoenix area began community organizing in the low-income neighborhoods around the city's downtown district. The CDCs emerged from various neighborhood associations that had sprung up in response to the extreme crime and blight prevalent in their communities. However, their approach offered little respite to the long-term deterioration that had occurred in these neighborhoods. Funding from Living Cities helped the CDCs evolve into durable community institutions. LISC focused on the work of six CDCs, working to improve their capacity in real estate development, enhance their staff and board development and improve their links with the public and private sectors.

Living Cities has provided nearly $8.5 million to CDC projects in Phoenix.

Portland, Ore.

Living Cities' investments in Portland were instrumental in establishing and strengthening Portland's community development field. Consistent and targeted education, stable funding and human capital investment were combined to improve the efforts of local CDCs. When Living Cities funding first came to Portland, only one CDC was capable of developing large-scale housing projects; now the city has eight such groups. Like Denver, CDCs working in Portland have helped increase property value for low-income residents, according to the Urban Institute.

Living Cities has provided $13.5 million to CDCs in Portland.

San Antonio, Texas

With support from Living Cities, The Enterprise Foundation was a valued partner in the city's effort to reshape its housing delivery system over the past two years, examining the local design and delivery of the CDBG and HOME programs. This has resulted in a greater role for CDCs in promoting the revitalization of poor neighborhoods. Prior to Living Cities' funding, city agencies were relied upon to develop housing, often at a high cost. Now at least three CDCs have shown the capability of developing housing at scale.

Living Cities has provided more than $5 million to CDCs in San Antonio.

San Francisco Bay Are, Calif.

The "Partners in Community Building" managed by LISC in the Bay Area has sought to bolster the effectiveness of eight CDCs, providing operating support, technical assistance and access to low-cost loan funds. With Living Cities' support, LISC also helped fund the Unity Council's Neighborhood Main Street Initiative in the Fruitvale district of Oakland. This initiative focuses on the revitalization of neighborhood business districts through business development, employment, neighborhood safety and security and commercial development. Three other Bay Area neighborhoods are now working with LISC to emulate the Main Street work.

Living Cities has provided more than $8 million to CDC projects in the Bay Area.

Seattle, Wash.

Recent years have seen the capacity of CDCs in Seattle increase tremendously. A number of local initiatives fostered by LISC reflect the full range of commercial and neighborhood improvement activity underway in the city: the Seattle Community Development Initiative, the Seattle Jobs Initiative, the Seattle Small Business Loan and Technical Assistance Center and the Seattle Capital Fund provide various tools to encourage business and job growth and community building. Additionally, the formation of Impact Capital in 2000 provides a backbone for private-sector support for the community development industry.

Living Cities has provided roughly $9.5 million to CDC projects in Seattle.

St. Paul, Minn.

With support from Living Cities, LISC has collaborated closely with public and private partners to build the capacity of a core group of CDCs in St. Paul. The St. Paul Fund for Neighborhood Development (SPFND) provides core operating support and management assistance to eight CDCs. LISC has partnered with CDCs to implement a commercial corridor revitalization program in two neighborhoods and work towards improving or developing 2,000 affordable homes and rental apartments.

Living Cities has provided more than $7.5 million to CDC projects in St. Paul.

Washington, D.C.

In the last four years the nation's capital has undergone a transformation in both local governance and economic outlook. However, redevelopment in the city has further diminished the availability of affordable housing for low-income families. As a result, both The Enterprise Foundation and LISC have worked with several CDCs to develop new housing, help existing tenants purchase affordable multi-family buildings, and improve neighborhood commercial facilities. LISC has recently established a financing program to assist community-based educational, recreation and social service initiatives.

Living Cities has provided more than $23 million to CDC projects in Washington, D.C.

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Appendix 5

LISC and Enterprise

The Local Initiatives Support Corporation (LISC)

LISC was created in 1979 by a team of people from the Ford Foundation who became its first leaders. Today, it is the largest community-development organization in the nation.

LISC concentrates on assisting community-development corporations through grants, loans and equity investments, technical expertise, training, and information. These efforts support the development of local individual leadership and CDC institutional capacity that create affordable housing, commercial, industrial and community facilities, businesses and jobs, community safety, child care, and youth development. LISC currently works with 77 rural CDCs in 39 states and over 300 urban CDCs in 38 cities where LISC has local offices.

LISC has also initiated and manages several national programs. These include financial instrumentalities that mobilize private capital for housing through the federal government's Low Income Housing Tax Credit, for large-scale commercial development, and for community properties. LISC's Housing Authority Resource Center concentrates on revitalizing public-housing properties and its Center for Home Ownership promotes and supports that agenda.

LISC also runs an AmeriCorps program placing volunteers in CDCs and other local community-building organizations. Its Community Investment Collaborative for Kids (CICK) supports the development of community-based child-care facilities as well as home-based child care. And its Community Safety Initiative promotes partnerships between CDCs and police departments.

The Enterprise Foundation

The Enterprise Foundation was founded in 1982 by renowned developer Jim Rouse and his wife, Patty, as a vehicle for helping low-income people revitalize their communities. Headquartered in Columbia, Maryland, Enterprise has offices in 18 communities across the nation.

Enterprise works with a network of 2,200 nonprofit organizations, public housing authorities and Native American tribes in 800 locations, a roster that includes over 100 CDCs. The Foundation provides these organizations with technical assistance, training, short- and long-term loans, equity investments, and grants. Enterprise applies these resources to developing affordable housing; training and placing disadvantaged people in jobs; child-care centers and home-based child care; community-safety initiatives; and commercial and mixed-use projects, especially on urban "brownfield" (former industrial) sites.

Enterprise also partners with Habitat for Humanity International, operates a Native American housing initiative and mounts comprehensive community-building initiatives.

Enterprise has created a set of specialized financial instruments that invest private equity in projects using the Low Income Housing Tax Credit and that otherwise provide short-term and mortgage funding for housing. The Foundation also has created related organizations that develop, market, and sell or manage the rental of low-income housing and mixed-use facilities—or that promote home ownership to low-income people and prepare them for that role.

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Notes

[1] 2001 Current Population Survey, U.S. Bureau of the Census.
[2] The State of the Cities 2000, U.S. Department of Housing and Urban Development, June 2000.
[3] Ibid.
[4] During its first decade, NCDI contracted with the Metropolitan Housing and Communities Policy Center of the Urban Institute (UI) for research and analysis on the effectiveness of NCDI-funded community-development programs. The UI reports cited herein were prepared independently but funded by NCDI. UI's reports on NCDI are available from the UI Web site, www.urban.org.
[5] Walker, *Community Development Corporations and Their Changing Support Systems*, p. 1, The Urban Institute.
[6] Walker and Weinheimer, *Community Development in the 1990s*, p. vi., The Urban Institute
[7] The Fannie Mae Foundation and the U.S. Department of Health and Human Services have recently joined as funders for the second decade of NCDI.
[8] Walker and Weinheimer, *Community Development in the 1990s*, pp. 33 and 34, The Urban Institute.
[9] Ibid., p. 7.
[10] Walker, Gustafson and Snow, *National Support for Local System Change*, p. 49, The Urban Institute.
[11] Ken Temkin, Chris Walker, Diane Levy, George Galster and Noah Sawyer, *The Impact of Community Development Corporations On Neighborhoods: An Analysis of Five Communities*, The Urban Institute, 2002 (forthcoming).
[12] Walker, Gustafson and Snow, op. cit., pp. 20 and 59.
[13] Ibid., p. 59.
[14] Walker, op cit., p 23.
[15] Walker and Weinheimer, op. cit., pp. 66-67.
[16] Walker, Gustafson and Snow, op. cit., pp. 25-26.
[17] 2001 Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing, 2001*, p.22.
[18] Ibid., p. 24.
[19] Walker and Weinheimer, op. cit., Chapter 6.
[20] Walker, op. cit., pp. 36-37; Walker, Gustafson and Snow, op. cit., p. 13.
[21] Walker, Gustafson and Snow, op. cit., p. 12. See, also, Temkin, Walker, Levy, Galster and Sawyer, op. cit.
[22] Walker and Weinheimer, op. cit., pp. 73-87 and 89; Walker, Gustafson and Snow, op. cit., p. 42.
[23] Walker, Gustafson and Snow, op. cit., p. 42.

Attachment 3:

Biographic Statement From
Reese W. Fayde

Biography: Reese W. Fayde

Reese Fayde is the Chief Executive Officer of Living Cities: The National Community Development Initiative, a partnership of leading foundations, financial institutions and the federal government that is committed to improving the vitality of cities and urban neighborhoods. Living Cities funds the work of community development corporations in 23 cities and uses the lesson of that work to engage in national research and policy development.

Prior to assuming the leadership of Living Cities, Ms. Fayde had extensive experience in the fields of community economic development, affordable housing, and real estate, operating development and consulting firms for over 20 years. Working for foundations, non-profit organizations, local governments and federal agencies, Ms. Fayde provided assistance in organizational development and operations, project design, financial packaging and training.

Ms. Fayde established her own firm in 1979 and prior to that worked for the Massachusetts Housing Finance Agency, the Cambridge and Worcester, MA housing authorities, and a non-profit housing development organization. In those positions she had responsibility for monitoring and operating subsidized housing programs. Ms. Fayde was a Loeb Fellow at Harvard University, has a bachelor's degree from Clark University and a master's degree in planning from Boston College. She has taught at Harvard University and Tufts University and provided training seminars nationally. Ms. Fayde has served on the boards of directors of numerous non-profit organizations and served on the Board of Directors of the Federal Home Loan Bank of New York.

Attachment 4:

Disclosure Requirement

United States House of Representatives
Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name: Reese W. Fayde	**2. Organization or organizations you are representing:** Living Cities: The National Community Development Initiative
3. Business Address and telephone number: 330 W. 108th Street, New York, NY 10025 (212) 662-6650	
4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2000 related to the subject on which you have been invited to testify? ☐ Yes ☒ No	**5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2000 related to the subject on which you have been invited to testify?** ☒ Yes ☐ No
6. If you answered "yes" to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets. The Local Initiative Support Corporation and the Enterprise Foundation each have contracts with HUD for $10 million for capacity building work with CDCs in NCDI under section 4.	
7. Signature: Reese W. Fayde	

Please attach a copy of this form to your written testimony.

LISC
Helping neighbors build communities

Testimony of

Greta J. Harris
Senior Program Director
Richmond Local Initiatives Support Corporation

Enhancing Community Development

Before the

Subcommittee on Housing and Community Opportunity
Committee on Financial Services
U.S. House of Representatives

September 17, 2002

LISC
Helping neighbors build communities

Testimony of Greta Harris

Good afternoon, Madame Chairwoman and members of the Subcommittee. I am pleased to testify today on Enhancing Community Development.

I direct LISC's Richmond, VA program, one of 38 nationwide plus a national rural program. Richmond is not part of the Living Cities/National Community Development Initiative, but we do use Section 4 funds to provide Capacity Building for Affordable Housing and Community Development. I have been in the business of rebuilding communities for over 20 years, mostly at the neighborhood level. I started my career as an architect, moving on to work for a local grassroots community development corporation, or CDC, in Philadelphia and then to lead Neighborhood Housing Services of Richmond (a local CDC), before coming to LISC five years ago.

We welcome the Subcommittee's focus on building the capacity of CDCs. In our experience, capacity building is a necessary and highly productive investment in revitalizing our nation's most distressed urban and rural communities.

LISC helps neighbors build whole communities. Established in 1980, LISC has worked in over 300 urban and rural areas, investing $4.5 billion of mostly private funds in the work of over 2,200 CDCs. CDCs have used our funds to raise an additional $6.7 billion over the past 22 years. With this support, CDCs have built 121,000 high-quality, affordable homes, helped make neighborhoods safer and more livable, and created 18 million square feet of commercial, retail, child care, educational and youth development facilities, bringing markets and jobs back to inner city and rural America.

Our first name is Local. Each of our 38 local offices forges close working relationships with CDCs, private lenders and investors, foundations, and city and state governments – the entire network of partners necessary to rebuild low-income communities. An advisory committee of business, civic, and community leaders directs each local office, as well as a national rural assistance program. LISC's national Board of Directors, chaired by former Treasury Secretary Robert Rubin, provides stewardship. This structure ensures that we make sound investments that yield tangible results for communities and other stakeholders. A list of LISC offices is attached.

We work with CDCs for a very practical reason: they have been uniquely effective in reviving many of the toughest neighborhoods and rural areas in this country. The National Congress for Community Economic Development reports that some 3,600 CDCs have developed 550,000 affordable homes and 71 million feet of commercial facilities, financed almost 60,000 businesses, and helped to create almost 250,000 jobs.[1]

Strengthening the organizational capacity of CDCs is both important and deserving of more federal support. It takes strong organizations to achieve and sustain such results in communities others have written off as hopeless. Each aspect of community development – housing, economic development, workforce development, child care, to name but a few – requires its own capacities and relationships. The projects and programs CDCs undertake cannot generate the revenue they need to grow.

And CDCs are much more than developers. They function as broad-based community institutions, constantly keeping in touch with residents and other stakeholders, identifying and planning future activities, supplying the glue that holds together very distressed and fragile communities under great stress, and representing the community with a wide range of public and private sector partners. None of these broader activities generates revenue.

Federal support for building CDC capacity is a necessary and highly efficient investment in this classically American form of community entrepreneurship. We applaud Reps. Stephanie Tubbs-Jones and J.C. Watts for recognizing the value of CDCs through H.R. 3974, the Community Economic Development Expertise Enhancement Act of 2002.

Section 4 Capacity Building Funds Are Productive

The Section 4 Capacity Building for Community Development and Affordable Housing program provides training and seed capital that CDCs use to assemble development projects and other community revitalization activities.

The Section 4 Capacity Building program was first enacted in 1993 to enable HUD to join private corporations and foundations in an unprecedented partnership, the National Community Development Initiative (NCDI) – now called Living Cities.[2] NCDI had begun in 1991, and HUD used Section 4 funds to join

[1] *Coming of Age.* Washington, DC: National Congress for Community Economic Development and Urban Institute, 1999.
[2] The current private partners are: Bank of America, Annie E. Casey Foundation, Deutsche Bank, The Equitable Life Assurance Society of the United States, The Robert Wood Johnson

as a partner in 1994. LISC and the Enterprise Foundation administer NCDI/Living Cities funds in 23 cities.[3] Starting in 1997, Section 4 was amended to allow LISC and Enterprise to assist CDCs nationwide.[4]

Section 4 has been extremely productive. To date, LISC has received $60 million through Section 4, both within and beyond the NCDI/Living Cities locations. We are using these funds to:

- Attract $200 million in private matching funds, an amount we expect to reach perhaps $280 million.

- Directly assist 427 CDCs throughout LISC's nationwide system. A list of these CDCs is attached. This number does not include many other CDCs that have received training and other non-cash support.

- Help CDCs to develop approximately:

    - 22,000 affordable homes with a total cost of $2.7 billion.

    - 74 economic development facilities, including retail, industrial, office, child care, health care, and educational facilities, involving 2.6 million square feet of space and $700 million in development activity.

  This total development activity of $3.4 billion is 58 times the Section 4 funding we have received, a remarkably productive use of federal funds.

These outputs are only partial indicators of Section 4's impact. They exclude the impact of cash awards not directly connected to specific development activities, and of non-cash assistance, such as training and direct technical advice. They also do not capture other important aspects of building CDC capacity, such as:

- Stronger internal management systems, including financial management, technology, and personnel systems;

Foundation, W.K. Kellogg Foundation, John S. and James L. Knight Foundation, John D. and Catherine T. MacArthur Foundation, The McKnight Foundation, Metropolitan Life Insurance Company, J.P. Morgan Chase & Company, The Prudential Insurance Company of America, The Rockefeller Foundation, and Surdna Foundation. In addition to HUD, the U.S. Department of Health and Human Services has recently joined as a federal partner.

[3] LISC administers NCDI funds in Boston, Chicago, Detroit, Indianapolis, Kansas City (MO), Los Angeles, Greater Miami, Newark, New York, Philadelphia, Phoenix, San Francisco Bay Area, Seattle, St. Paul, and Washington (DC).

[4] The 1997 amendment also added Habitat for Humanity International and Youthbuild USA as eligible recipients.

- Stronger community boards of directors, better able to direct and oversee CDCs;

- More strategic community planning, so that each activity is most responsive to community stakeholders, generates the greatest revitalization impact possible and creates new opportunities; and

- Broader engagement by private sector and public sector partners, so that these institutions can serve distressed communities better.

- More timely and effective use of other HUD and federal resources, including HOME, CDBG, and Low Income Housing Tax Credits.

In Richmond, LISC has used $618,000 of Section 4 funding since 1997 in conjunction with $1,585,000 of private contributions to fund the Richmond Neighborhood Development Fund, an operating support collaborative that mixes funding, technical assistance and training to build the capacity of twelve CDCs in Greater Richmond.

Industry-wide in Richmond, the results of the strategic placement of these critical capacity dollars have been stunning. Since 1997, single-family housing production nearly tripled, while we have seen an nearly five-fold increase in multi-family housing production and a doubling of the number of grants and loans given to existing homeowners for repairs and rehabilitation. Capacity building assistance has allowed these CDCs to function better as non-profit businesses. Currently, 100% of our CDC partners use strategic business plans, up from 15%.

For example, Section 4 funds have helped the Oregon Hill Home Improvement Corporation (OHHIC) to produce the first new housing in the neighborhood in over a century. Funds were combined with intense technical assistance and training to support a second staff person, who focused on building organizational systems, customer counseling and community relations, freeing up the organization's director to focus on acquisition and construction. The group currently has 14 houses in its pipeline, and a waiting list of pre-qualified lower-income homebuyers ready to purchase them. Section 4 funds assist OHHIC to continue to provide affordable housing to long-time low-income residents of this quickly gentrifying community.

Independent evaluations have confirmed the productiveness of Section 4 resources.

An Urban Institute evaluation[5] of the NCDI concluded that:

[5] Christopher Walker and Mark Weinheimer, *Community Development in the 1990s*, Urban Institute (Washington, DC), 1998.

"CDCs in NCDI cities have made substantial gains since 1991, nearly doubling the number of 'capable' groups, increasing operating budgets by 63% and expanding the number of top-tier groups by 45%."

"The role of intermediaries in community development should be sustained and strengthened."

"CDC supporters - including the federal government - must keep capital flowing to CDC projects."

A separate independent evaluation of how LISC and Enterprise have used Section 4 outside the NCDI/Living Cities network, by Weinheimer Associates for HUD, concluded:

"The Section 4 program met and exceeded the goal established by Congress to develop the capacity of community development corporations to undertake community development and affordable housing projects and programs. The intermediaries provided assistance to 264 nonprofit community development organizations; 175 with grant funding and the rest with technical assistance. Grant funds alone reached 141 locations across the country; adding the non-cash-assisted groups pushes that number closer to 200 locations. Of the 264 groups assisted, about 63 percent are in or serve rural communities. . . .

"The Section 4 program was effective for many reasons. Chief among them:

- "HUD used two strong national organizations with a great deal of specialized knowledge in community development to deliver the capacity building assistance. Both Enterprise and LISC brought new tools and techniques to local situations and neighborhoods that usually were not previously present.

- "Section 4 itself created a pool of money dedicated to building capacity of nonprofit organizations. That set aside of money signaled that the task of capacity building is important and merits its own funding. It is not just a by-product of other activities. This suggested to other leaders that capacity building is worthwhile and important.

- "The section 4 money is flexible. This allowed both Enterprise and LISC to meet local needs and opportunities in a variety of locations. They were not restricted to one national model of capacity building.

- "In most cities, the intermediaries built local systems of support for the CDCs. That is, they enlisted local funders and supporters who leveraged their own resources, and they helped to create more streamlined funding streams for the CDCs."[6]

How LISC Works with CDCs

LISC's use of Section 4 funds reflects 22 years of experience providing over $4 billion in investments, loans, and grants to CDCs across the country. Our capacity building activities and project financing are closely linked and mutually reinforcing.

We are continually refining the way we support CDCs, but our overall approach works well. We have experienced losses of less than 2 percent of the $500 million we have loaned over 22 years of history. We believe our positive track record has contributed to the widespread recognition of the vast majority of CDCs as vital, productive, business-like and results-oriented community institutions. For these reasons, we have seen vigorous growth in the number of groups, their base of support, and the scope and volume of their achievements.

Local Knowledge. As our name suggests, our local presence helps make us effective in supporting CDCs and facilitates accountability. We operate through 38 local offices with staff on the ground, who constantly interact with CDCs, their boards, their constituents and with other key partners and stakeholders, such as public agencies, banks, and foundations. This intimate local knowledge informs the underwriting and monitoring of all of our financial commitments and the fashioning of programs responsive to specific local constraints and opportunities. Moreover, Local Advisory Committees oversee our local programs, and approve each and every funding award we make to CDCs. Comprised of corporate and philanthropic funders, and often, public agencies, experts and CDCs, LISC's Local Advisory Committees bring essential rigor and perspective to our decision-making processes.

CDC criteria. The criteria LISC uses for working with CDCs are not absolute, but rather are geared to each CDC's experience and agenda. In summary, we are looking for:

- A vision for the community that will galvanize both residents and outsiders and motivate their continued participation and support.

[6] Weinheimer & Associates, "HUD Section 4 – Building the Capacity of Community Development Corporations; Assessment Report for FY 1997 Funds," Washington, DC, June 2001.

- A community revitalization strategy that reflects community concerns, opportunities and needs, and lays out the concrete steps the CDC will take to address them.

- Technical and managerial skills and staffing to carry out the program.

- A solid track record in managing and executing projects, including procedures to monitor progress and identify any needed changes in strategy or manner of implementation.

- Board leadership and oversight providing for accountability to the community, to funders, and to the organization's mission and goals.

- Management systems – e.g., financial, personnel, and information – to support successful program operations, reporting and analysis.

- Sound financial condition, including a diversified funding base and strategy for resource development.

Working daily with CDCs and other local partners informs our judgments. Typically, our relationship with a group starts with a project. We get to know the organization through meetings with staff and board, review of organizational documents and past accomplishments, consideration of reputation and references from others, as well as the CDC's expressed needs and preferences. We actively engage with a CDC when we feel that its approach is fundamentally sound and we see both the potential for and a commitment to further growth and improvement.

As we begin to work with the group on the project, we become acquainted with its skills in conceptualizing, planning, and managing project development and packaging financing, usually providing suggestions and advice along the way. If we decide to propose a loan, our underwriting criteria and process (described below) require that we clearly identify risks and risk mitigation strategies. Our appraisal of the circumstances will dictate not only whether we will propose a loan and the terms of that loan, but also what other support, if any, we should provide. Such other support might take the form of one-on-one technical assistance, by our staff or by a consultant, training to help strengthen technical capacities, or a grant, for example, to retain a project manager.

Our net loan loss rate of less than 2 percent over 22 years and $500 million in credit extended thus reflects not only effective underwriting and monitoring processes, but also our ability to assess what other resources or supports beyond the loan itself a CDC will require to successfully develop the project and repay our loan. Our purpose is not just to get the project done, but also to help CDCs become stronger and more durable community institutions.

Formal Operating Support Programs. This assessment process becomes more explicit in the context of formal organizational development programs, which have flourished over the past decade with the help of Section 4. These programs, such as the Richmond Neighborhood Development Fund described earlier, share several common features, including: (1) a collaborative funding approach where multiple funders come together to provide organizational development resources on a multi-year basis within an integrated program framework; (2) a competitive process for selecting CDCs; (3) the use of formal organizational assessments to identify areas where CDCs' practices can be strengthened; and (4) an outcomes-based funding approach where subsequent year funding depends upon the achievement of organizational and programmatic milestones set as a part of the assessment process.

According to a recent evaluation prepared for NCDI:

> "The creation of new capacity-building systems using intermediaries in key roles radically improved the [former ad hoc] situation. The new systems enabled funders to collaborate on operating support. The systems demanded organizational improvements by CDCs in return for operating support and helped groups diagnose areas in need of improvement. They provided access to technical aid and monitored whether or not performance benchmarks were met. The net result was to give funders much more assurance that their money would be well-spent."[7]

New Approaches to Performance Measurement. We are continuing to refine our organizational development programming and standards for accountability through the design, testing and launch of "CapMap" (short for capacity mapping), a new diagnostic and measurement tool. Crafted through a joint venture of LISC's Organizational Development Initiative and the local operating support collaboratives LISC administers, CapMap is a vehicle for documenting CDCs' organizational and real estate development capacities along a continuum defined by practical indicators (e.g., in financial management, ranging from regular reconciliation of bank accounts to the analysis of historic data for use in planning and decision making). The hierarchy of skills within key organizational areas (e.g., leadership, oversight, resource development, asset management, etc.) allows CDCs and LISC/Collaborative staff to identify the areas where capacities need to be built or strengthened, specify what achieving the next level of performance will entail, and document the progression of CDCs' practices over time. In addition, CapMap is constructed in a manner that permits the aggregation and analysis of information across groups and cities to not only document the results of organizational development interventions, but to also

[7] The Urban Institute, *Community Development Corporations and their Changing Support Systems*, Draft Report, March 2002, page 41.

tailor future interventions in light of the needs of individual CDCs and those of the broader local industry.

As the foregoing suggests, our objective is to help CDCs become more effective. Occasionally, however, a CDC is simply not receptive to our approach. If necessary, we withhold or terminate support. We have made it clear to all concerned that LISC support is not an entitlement and that failure to perform has real consequences.

Rigorous Structuring and Monitoring of Awards. A rigorous underwriting process requires our field staff to justify proposed awards based on a thorough analysis of the organization (its track record, leadership, management, financial position, and credibility), the proposed project (market, cost, feasibility, and strategic importance), commitments and capacities of other essential players (the development team, property manager, and public and private financing sources). Proposals must include structures and supports to mitigate risks surfaced through the analysis.

As noted earlier, our Local Advisory Committees must approve every proposed funding action. Additional levels of review are required as the funding amount increases and may involve, in succession, the local Program Director, the supervising Vice President, our Senior Underwriter, LISC's internal Credit Committee (comprised of the Senior Underwriter and Loan Administrator, all Vice Presidents, Deputy General Counsel and the Chief Operating Officer), the Program Review and Evaluation Committee of LISC's Board of Directors, and the full LISC Board. Most loan and large grant proposals therefore are subject to multiple critiques from multiple perspectives and may be revised in response to comments or, on occasion, may be tabled.

As is the case with the origination of program activity, our local presence and staffing are the backbone of our monitoring efforts. By staying on top of the circumstances of the groups and projects they support, LISC field staff are aware of whether the funds awarded are being used for the intended purposes and can provide timely assistance in cases when efforts appear to be faltering.

This local system for problem solving complements more formal monitoring activities, including periodic reporting on any changes in repayment prospects for every outstanding loan and review by our internal Credit Risk Rating Committee. This committee, which includes the Senior Underwriter, Loan Administrator and Deputy General Counsel, may revise a loan's credit rating upward or downward, thus adjusting reserve amounts in light of current circumstances. Loans deemed to require more intensive and frequent attention, either by virtue of perceived inherent risks or actual repayment performance, are monitored monthly by local staff and our Credit Watch Committee, which together are responsible for crafting and pursuing solutions to problem loans.

In addition to these procedures, we make periodic site visits to CDCs receiving federal funds through LISC to ensure that expenses are allowable under Federal regulations, are within the grant budget, and are supported by appropriate documentation. Completing the circle of formal oversight, the LISC Board has set ceilings for delinquent and "Credit Watch" loans, and reviews actual performance relative to the ceilings on a quarterly basis.

Local Systems Improvements. How key resources are provided – public land use approvals and building permits, subsidy awards and private sector financing – also influences CDCs' productivity and accountability. In some locales, public sector approvals and resources as well as private sector financing can be accessed by CDCs in a reasonably predictable manner, whereas in other places, CDCs must spend considerable time working through and resolving land use, financing and regulatory issues on a project-by-project basis. In light of these circumstances, fostering improvements in local production systems – by bringing the public and private sectors together to reconcile divergent standards, assemble necessary resources in a coordinated fashion, facilitate regulatory reforms, and promote more consistent and transparent procedures for approvals and awards – have been central to our efforts to enhance the productivity, impact and accountability of CDCs. The absence of consistent and predictable systems for developing projects often is costly as projects are delayed, bids lapse and transactions become more complex and ultimately more expensive to effect. These costs and the associated delays are especially burdensome for CDCs – they consume scarce management resources and often diminish the support and faith of constituents who are eager for tangible change. In addition, the uncertainties frustrate the establishment of a culture of mutual accountability among the parties.

Conclusion

Our experience with Section 4 has been extremely positive. HUD, Living Cities/NCDI, and our other funders have been rigorous and responsive partners. The CDCs have performed professionally and effectively, with an apparently inexhaustible supply of vision, creativity, and tenacity. I invite you to come to Richmond or any of the other communities where LISC works. I am confident you will agree that the benefits for communities speak for themselves.

LISC PROGRAM AREAS

Baton Rouge, LA: Patricia Robinson, Program Director, 225–387–6166 probinson@liscnet.org
Boston, MA: Mathew Thall, Senior Program Director, 617–338–0411 mthall@liscnet.org
Buffalo, NY: Michael Clarke, Program Director, 716–853–1136 mclarke@liscnet.org
Chicago, IL: Andrew Mooney, Senior Program Director, 312–360–0800 amooney@liscnet.org
Greater Cincinnati/N.Kentucky: Renee Mahaffey Harris, Program Director, 513–723–1026 rmharris@liscnet.org
Cleveland/Northeast Ohio: India Pierce Lee, Senior Program Director, 216–830–2791 ilee@liscnet.org
Connecticut Statewide: Andrea Pereira, Senior Program Director, 860–525–4821 apereira@liscnet.org
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Hartford, CT: Andrea Pereira, Senior Program Director, 860–525–4821 apereira@liscnet.org
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Indianapolis, IN: Sherry Seiwert, Program Director, 317–396–0588 sseiwert@liscnet.org
Jacksonville, FL: Joni Foster, Program Director, 904–353–1300 jfoster@liscnet.org
Kalamazoo, MI: Charles Vliek, Senior Program Director, 616–343–5472 cvliek@liscnet.org
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Greater Miami, FL: Denis Russ, Program Director, 305–381–7967 druss@liscnet.org
Michigan Statewide: Charles Vliek, Senior Program Director, 616–343–5472 cvliek@liscnet.org
Mid South Delta LISC: Glenn Nishimura, Program Director, 662–335–3318 gnishimura@liscnet.org
Milwaukee, WI: Leo J. Ries, Program Director, 414–273–1815 lries@liscnet.org
Newark, NJ: Gerard Joab, Senior Program Director, 973–624–6676 gjoab@liscnet.org
New Jersey Multi-City: Joyce Wilson Harley, Program Director, 609–392–4300 jharley@liscnet.org
New Orleans, LA: Raymond Breaux, Program Director, 504–522–0506 rbreaux@liscnet.org
New York City, NY: Denise Scott, Managing Director, 212–455–9800 dscott@liscnet.org
Philadelphia, PA: Carlos Peraza, Senior Program Director, 215–923–3801 cperaza@liscnet.org
Phoenix, AZ: Brian Champeau, Program Director, 602–256–0015 bchampeau@liscnet.org
Rhode Island: Barbara Fields Karlin, Senior Program Director, 401–331–0131 bfields@liscnet.org
Richmond, VA: Greta Harris, Senior Program Director, 804–644–0548 gharris@liscnet.org
Rural LISC: Sandra Rosenblith, Senior Vice President, 202–785–2908 srosenblith@liscnet.org
San Diego, CA: Austin E. Penny, Program Vice President, 213–240–3119 apenny@liscnet.org
San Francisco Bay Area: Stephanie Forbes, Program Director, 415–397–7322 sforbes@liscnet.org
Southwest Pennsylvania: William Schwab, Program Director, 412–765–3170 wschwab@liscnet.org
Toledo, OH: Hugh Grefe, Senior Program Director, 419–242–3836 hgrefe@liscnet.org
Twin Cities, MN: Paul Williams, Program Director, 651–649–1109 pwilliams@liscnet.org
Washington, D.C.: Oramenta Newsome, Senior Program Director, 202–785–2908 onewsome@liscnet.org
Washington State: Thomas Lattimore, Senior Program Director, 206–587–3200 tom@impactcapital.org
West Palm Beach, FL: Annetta Jenkins, Program Director, 561–471–7700 ajenkins@liscnet.org
Winston-Salem, NC: Teri Beckman, Program Director, 336–722–5400 tbeckman@liscnet.org

CDCs Receiving Section 4 Assistance Through LISC

ALABAMA

RURAL

Southeast Alabama Self-Help Association
Alabama Council on Human Relations, Inc.

ARKANSAS

LITTLE ROCK

Argenta CDC
Black Community Developers
Central Little Rock
College Station
Downtown Little Rock CDC
McClellan CDC
Woodrull CDC

RURAL

Boys Girls Adults CDC

ARIZONA

PHOENIX

Capitol Mall Assoc. , Inc.
Chicanos Por La Causa
Comm. Hsng. Resources of Arizona
Community Excellent Project
Community Services of Arizona
Espiritu Community Development
Glendale Comm Hsng Dev/Los Vecinos
Habitiat for Humanity- Valley of the Sun
Housing for Mesa
MANA Restoration Coal dba Newtown CDC
Mercy Housing
Phoenix Revitaliztion Corp.
Rocky Mountain Mutual Housing Assoc.
Safe Haven
Sunnyslope Village Alliance
Sunnyslope Village Revitalization
United Housing, Inc.
Univ. of Minnesota
Urban Coalition West

RURAL

Chicanos Por La Causa, Inc.
Comite de Bienestar
Dineh Cooperatives, Inc.

CALIFORNIA

BAY AREA

Asian Neigh. Design
Chinatown Resource Center
Comm. Hsng. Dev.
East Bay Asian Local Development Corp
East Bay Habitat for Humanity
East Palo Alto Comm.

Indochinese Housing
Jeffrey Eichenfield & Associates
Mission Economic Dev. Assoc.
Spanish Speaking Unity Co
Strategic Economics
Tenderloin Neighborhood
The National Trust for Historic Preservation
Western Initiatives for Neighborhood Dev.

LOS ANGELES

Concerned Citizens of South Central LA
Covenant Community Dev. Corp.
DREW EDC
Dunbar Economic Dev. Corp
East Los Angeles Comm. Corp.
Esperanza Comm Hsng Corp
Little Toyko Service Center
New Economics for Women
Venice Comm Hsng Corp
Vermont Slauson Econ Dev Corp

RURAL

Cabrillo Economic Development Corp.
Coachella Valley Housing Coalition
Mercy Housing
Sacramento Valley Organizing Community
Self-Help Enterprises, Inc.
South County Housing, Inc.

SAN DIEGO

Bayview CDC
City Heights CDC
Community Housing of North County
Episcopal Community Services
Ocean Beach CDC
Urban Housing Corp.
Greater Golden Hill CDC

COLORADO

RURAL

Colorado Rural Housing , Inc.
Tri-County Housing CDC

CONNECTICUT

CONNECTICUT STATEWIDE

Co-op Initiatives, Inc.
Hollow Development Corporation
Mutual Housing Associatioon of SW Conn.
Nehemiah Housing Corporation
Neighborhood Housing Services of Waterbury
New Neighborhoods, Inc.

HARTFORD

Broad Park Development Corporation
Sheldon Oaks Central

FLORIDA

JACKSONVILLE

Clara White Mission
Jacksonville Housing Partnership
Metro North CDC
Operation New Hope
GREATER MIAMI
Carrfour Corp.
Centro Campesino Farmworker Center, Inc.
East Little Havana Dev Corp
Jubilee Community Development Corp.
Little Haiti Housing Association
Miami Beach Dev Corp
Miami Dade Neighborhood Housing Services, Inc.
Opa-Locka Community Dev. Corp.
St. John Community Dev. Corp.
Universal Truth Community Dev. Corp.
West Perrine Community Development Corp.
RURAL
North Florida Educational Development Corporation
WEST PALM BEACH
Centro Campesino Farmworker Center
Delray Beach CDC
Lakeworth CDC
Limestone Creek CDC
Northwest Riviera Beach CRC
Northwood Business Development Corp.
Pleasant City Faith-Basrd Initiative
TED Center Inc.
Union Fidelity Development, Inc.
WIN West Palm, Inc.

HAWAII

RURAL
Hawaiian Community Assests, Inc.
Moloka'I Community Service Council

ILLINOIS

CHICAGO
Ahkenaton CDC
Bickerdike Redev.
Chicago Asso. of NDO
Chicago Rehab Network
Clarentian Association
DevCorp. North
Fund for Com. Redev. & Revit.
Lawndale Christian Dev
LUCHA
Mid-South Planning
Near West Side CDC
North Washington Park
Peoples Housing
PRIDE
Rebirth of West Englwood
South Chicago Dev. Commission

Southeast Chicago Development Comm
St. Edmunds Redev. Corp.
The Resurrection Project
Voice of the People
Woodlawn Preserv & Investment Corp

RURAL

Carver Community Action Agency
Project NOW

INDIANA

INDIANNAPOLIS

BOS Comm. Dev. Corp.
Bridges Comm Services, Inc.
Community Alliance of the Far Eastside, Inc. (CAFÉ)
Concord Comm. Dev. Corp.
Corp. for Hsng. Oppor.
East Central Reinvestment Corp.
Eastside Comm. Investments
Echo Housing Corporation
Future Choices
Greater Muncie Ind. Habitat for Humanity
Historic Landmark
Indiana Assn. for Com Econ Dev
Indianapolis Coalition for Neighborhood Dev.
Indianapolis Hsng Ptrnshp
Industry Neighborhood Council
INHP
King Park Area Dev Corp
Mapleton-Fall Creek HDC
Martin Luther King Com Dev Corp
Martindale B C D
Martindale Brightwood
Muncie Homeowership
Near North Development Corporation
Near Northwest Neigh
Neighborhood Housing Service
Open Door Community Services
Riley Area Revit Prog
South Bend Heritage Fdn
Southeast Neighborhood Dev Corp
United North East community
United Northwest Area Dev. Corp.
W. Indianapolis Dev. Corp.
Westside Comm. Dev. Corp.

MUNCIE

Greater Muncie Habitat for Humanity

RURAL

Pathfinder Services, Inc.

NW INDIANA (GARY)

N.W. Indiana Habitat for Humanity, Inc.
Horace Mann - Ambridge Neighborhood Improvement

IOWA

RURAL

Rural Housing Institute

KANSAS

RURAL

Northeast Kansas Community Actioin

KENTUCKY

RURAL

Kentucky Highlands Investment Corp.
Community Housing Inc.
Mountain Association for Community Economic

LOUISIANA

BATON ROUGE

Brookstown CDC
Caleb CDC
Capitol Park CDC
Hope CDC
Melrose East CDC
New Hope CDC
Old South Baton Rouge Comm. Revitalization Corp.
Scotlandville Comm. Revitalization Corp.
Zion City CDC

NEW ORLEANS

Bacatown CDC
Creole Cottage Coalition CDC
Faubourg St. Roch CDC
HUMANITAS
New Life Intracoastal CDC
Volunteers of America of Greater NY
Will Woods
Mid-City CDC
New Vision

RURAL

Northeast Louisiana Delta CDC
Southern Mutual Help Association

MASSACHUSETTS

BOSTON

Asian Community Development Corp.
Boston Aging
Citizens Hsng & Planning
Codman Square Neigh. Dev Corp.
Dorcester Bay Economic Development Corp.
Jamaica Plain Neighborhood Development Corp.
Madison Park Dev Corp.
Mass. Assoc. of Comm Dev Corps
Mid-South Planning
Near West Side Community Devlopment Corp.
Neighborhood of Affordable Hsng
North Washington Park
Nuestra Communidad Dev Corp
Peoples Housing

PRIDE
Rebirth of West Englwood
Salem Harbor Comm Dev Corp
Somerville Community Corp
Uphams Corner Main Streets
Urban Edge Hsng Corp., Inc.
Viet Aid

RURAL

Franklin County CDC

MARYLAND

RURAL

Garrett County Community Action
Interfaith Housing of Western Maryland, Inc.

MAINE

RURAL

Coastal Enterprises, Inc.

MICHIGAN

DETROIT

Amandla Community Development Corp.
Bridging Communities, Inc.
Central Detroit Christian CDC
Community Development Advocated of Detroit
Corktown Consumer Housing Cooperative
InterChange, LLC
Jefferson Ave Hsng Dev Corp
National Development Council
New Hope Community Dev NPHC
Northwest Detroit Neighborhood Dev. Corp.
Sacred heart/St. Elizabeth Communit Dev. Corp.
Southwest Detroit Business Association
Prevailing CDC
Warren/Conner Dev. Coalition
West Detroit Inter-Faith Com. Org.

KALAMAZOO

Housing Resources, Inc.
Kalamazoo Northside Non-Profit Housing
Kalamazoo Valley Habitat for Humanity
Kalamazoo Area Housing Corporation
Kalamazoo Neighborhood Housing
Northside Association for Comm. Dev.
Stuart Area Restoration Association

MICHIGAN STATEWIDE

Ferris Development
Greater Lansing Housing Coalition
Comm. Capital & Develop. Corp.
Dwelling Place of Grand Rapids
Greater Niles CDC
Human Develop. Commission
Old Town Comm. Association
Northern Economic Initiatives Corp.

MINNESOTA

MINNEAPOLIS/ST.PAUL
Dayton's Bluff NHS, Inc.
Dev Training Institute
Eastside Neigh Dev Co.
Greater Frogtown Com Dev Corp.
Hamline-Midway Area Rehab Corp.
Neigh Dev Alliance, Inc. (NeDA)
Northeast Neigh Dev. Corp.
NorthEnd Area Revit., Inc. (NEAR)
West 7th/Fort Road Federation
DULUTH
Center City Housing Corp.
Hillside Business Association
Lincoln Park Business Group
Neighborhood Housing Services of Duluth
Spirit Valley Citizens Neighborhood Development
RURAL
Midwest Minnesota CDC
Southwest Minnesota Housing Partnership

MISSOURI

KANSAS CITY
Blue Hills Homes Corp.
Catholic Housing of Wynadotte County
CDC of Kansas City
City Vision Ministries
Community Builders of KC
East Meyer Comm. Assoc.
El Centro, Inc.
Kansas City Nighborhood Alliance
Kaw Valley Habitat for Humanity
NHS of Kansas City, Inc.
Northland Neighborhoods Inc.
Old Northeast, Inc.
Twelfth Street Heritage Development Corp.
WestSide Housing Organization
RURAL
Central Missouri Counties Human Development Corp.
Ozark Action, Inc.

MISSISSIPPI

MID-SOUTH DELTA
Booker T. Community Outreach Inc.
Boys, Girls, Adults CDC
Chicot County Housing Assistance
Clarksdale Habitat for Humanity
Crowley's Ridge Development Council
Delta Housing Development Corp.
Delta Research, Educ. & Dev. Fund
Lee County CDC
Macon Ridge Community Development Corp.
Mississippi Action Community Educ. Inc.
Mt. Pleasant CDC

Northeast Louisiana Delta CDC
Southeast Arkansas CDC
Tallahatchie Housing Inc.
Tunica County CDC
Wynne Comm. Enlightenment & Dev. Foundation
RURAL
Quitman County Development Organization

MONTANA

RURAL
Human Resources Development Council

NEBRASKA

RURAL
Scottsbluff/Terrytown/Gering CDC

NEVADA

LAS VEGAS
Downtown Central Development
East Las Vegas Comm. Outreach
West Las Vegas CDC
Westside New Pioneers Comm. Dev.

NEW HAMPSHIRE

RURAL
Concord Area Trust for Community Housing
Laconia Area Community Land Trust

NEW JERSEY

NEWARK
Affordable Housing
Corinthian Housing Dev. Corp.
Donald Jackson
Episcopal Com Dev /NCDN
Habitat for Humanity
Hispanic Dev. Corp.
La Casa de De Don Pedro
Metropolitan Econ. Min. Comm..
Metropolitan Ecumenical
New Community Corporation
Newark Community Dev Network
St. James Community Development Corp.
Unified Vailsburg Ser. Organ.
United Community Corp.
NEW JERSEY MULTI-CITIES
Paterson Habitat for Humanity
Brand New Day, Inc.
Puerto Rican Organization for Comm. Education

NEW MEXICO

RURAL
Navajo Townsite CDC
Siete del Norte CDC
Tierra del Sol Housing Corporation

NEW YORK

BUFFALO
Kensington/ Bailey Neigh. Hsg. Srv. Inc.
NEW YORK CITY
Bridge Street Dev. Corp.
Fifth Ave. Committee
Fordham Bedford Housing Corp.
Habitat for Humanity - NYC
Harlem Congregations Comm. Improv
Manhattan Valley Development Corp.
Mid-Bronx Desperadoes Comm Hsng
Southside United Housing
St. Nicholas Neigh Preserv Corp
West Harlem Group Assistance, Inc.
RURAL
Rural Opportunities, Inc.
Rural Ulster Preservation Co.

NORTH CAROLINA

WINSTON SALEM
Goler-Depot Street Renaissance Corporation
Southside Community Development Corporation
RURAL
Community Developers of Beaufort/Hyde
Wilson Community Improvement Assoc.

OHIO

CLEVELAND
Neighborhood Progress, Inc.
New Sunrise Properties Housing Corp.
South Lorain CDC
Youngstown CHOICE
RURAL
Portage Area Development Corp.
WSOS Community Action Commission, Inc.
TOLEDO
Heritage South Comm. Rev. Assoc.
North River Development Corp.
Enterprise Toledo, Inc.,
Lagrange Dev. Corp.
Ottawa CDC

OKLAHOMA

RURAL
Little Dixie Community Action Agency

OREGON

RURAL
Housing for People, Inc.
Umpqua CDC

PENNSYLVANIA

PHILADELPHIA
Allegheny West Foundation
Associacion De Puertorriquenos
Comm. Hsng. Resources of Arizona

Community Excellent Project
Community Services of Arizona
Dignity Housing-
Friends Rehabilitation Prog
Greater Germantown Housing Develop. Corp.
New Kensington Com. Dev. Corp.
Ogontz Avenue Revitalization Corp
People's ECCDC
Philadelphians Concerned About Housing
Project H.O.M.E., Inc.
The Partnership CDC
The Philadelphia Foundation
Universal Community Homes
Urban Coalition West
Women's Comm. Revit. Proj.

RURAL

Housing Development Corporation
The NORCAM Group

RHODE ISLAND

Stop Wasting Abandoned Property
Church Community Housing Corp.
Woonsocket Neighborhood Dev. Corp.

SOUTH CAROLINA

RURAL

Five Rivers CDC
Santee Lynches Affordable Housing and CDC

SOUTH DAKOTA

RURAL

Northeast South Dakota Community Action Program

TEXAS

HOUSTON

Avenue CDC
Fifth Ward CDC
Houston Habitat for Humanity
Inner City Visions, Inc.
Pyramid CDC
Sunnyside-Up, Inc.
Tejano Center for Community Concerns, Inc.
Texas Inter-Faith Management Corporation

RURAL

Amigos del Valle, Inc.
Neighborhood Housing Services
Pineywoods HOME Team Affordable Housing, Inc.

VIRGINIA

RICHMOND

Richmond Metro. Habitat for Humanity
Better Housing Coalition
ElderHomes Corporation
First Homes Inc.
Interfaith Housing Corporation

Neighborhood Housing Services of Richmond
Oregon Hill Home Improvement Council, Inc.
Virginia Supportive Housing (SRO Housing)

RURAL

People Inc. of SW Virginia

VERMONT

RURAL

Burlington Community Land Trust

WASHINGTON

SEATTLE

Homesight
Seattle Business Assistance/CCD
Seattle Chinatown/Int'l District Public Dev. Authority
Seattle Neighborhood Group
South East Effective
South East Effective Develop
WCDLF

RURAL

Rural Resources Community Action

WEST VIRGINIA

Stop Abusive Family Environments (SAFE)

WISCONSIN

MILWAUKEE

Northeast Milwaukee Industrial Dev. Corp.
Northwest Side CDC
Walker's Point Development Corporation
Tri-Corp Housing, Inc.

RURAL

CAP Services, Inc.
Impact Seven, Inc.
Red Cliff Band of Lake Superior Chippewas

WASHINGTON, D.C

Community Medical Care, Inc.
East of the River
H Street Development Corp.
MANNA
North Capitol Neigh. Hsng.
Asian American Lead
Community of Hope
Development Corp of Columbia Heights
Marshall Heights Community Development Org.
Peoples Involvement Corp
Washington Parks & People

GRETA J. HARRIS

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SUMMARY OF QUALIFICATIONS

- Strong listening and communication skills that promote collaborative problem solving.
- Effective management skills that create a result oriented, yet enjoyable work environment.
- Ability to prioritize, delegate and simultaneously balance multiple tasks.
- Commitment to regional community development through resident participatory opportunities and public/private partnerships.

PROFESSIONAL EXPERIENCE

Local Initiatives Support Corporation (LISC) - Senior Program Director
Richmond, Virginia (1997-Present)

Manages the planning and day-to-day operations of the Richmond office of a national community and economic development non-profit intermediary corporation that supports urban reinvestment through the financial, technical and advocacy support of neighborhood-based organizations and their respective missions. Provides capacity building resources to community development corporations (CDCs); provides planning and technical assistance as well as financial investment into local housing, community facility and business creation real estate development initiatives and provides strategic relationship cultivation and advocacy to raise awareness of the local community development industry and its issues.

- Designed and facilitated the first LISC 501-C-3 bond issuance and sale for $2 million that is being invested into Richmond's distressed neighborhoods.

Richmond Neighborhood Housing Services, Inc. - Executive Director
Richmond, Virginia (1992-1997)

Managed the planning and day-to-day operations of a private, non-profit corporation that provided community housing development, affordable lending and neighborhood outreach activities. Assisted in Board of Directors re-structuring; development of effective committee structure and creation of organizational strategic plans, program policies and operational procedures.

Expanded organizational service areas and programs to meet various community needs and increased applicable professional Staff to implement new initiatives.

- Increased organizational visibility and marketing resulted in greater resident involvement, customer applications and funding support.
- Innovative internal operational systems resulted in exemplary monitoring reviews, unqualified annual financial audits and improved customer service.
- Creative and diversified resource development strategies resulted in a four-year operational budget change from $70,000 to $600,000 and a total annual community reinvestment from $200,000 to $4 million.

Greater Germantown Housing Development Corporation - Project Developer
Philadelphia, Pennsylvania (1989-1992)

Managed financial, design, closing, construction and lease-up activities for Hamill Mill Apartments, a $3.5 million, 40 unit affordable elderly housing development and assisted in the design and financing oversight of a HUD 202 funded, 60 unit elderly housing project and a 33,000 sq. ft. shopping center.

Greta J. Harris
Page 2.

Johnson Jones Architects and Planners - Project Architect
Princeton, New Jersey (1987-1989)
Designed and coordinated construction of Mellon Bank branch renovations in historically certified building; collaborated with architectural and preservation teams in comprehensive $65 million restoration of the New Jersey State House Capitol Complex and assisted in the production of field surveys, design and construction documents of UPS and New Jersey Transit Authority properties.

Kitchen and Associates - Staff Architect
Westmont, New Jersey (1985-1987)
Participated in design and construction documentation of Camden Housing Authority public housing; Mr. Goodbuys Home Center Stores and various tract housing and custom home projects.

Strouse, Greenberg & Co. / Daniel Construction Company - Tenant Coordinator
Danville, Virginia (1983-1984)
Coordinated construction of seventy tenant stores in 500,000 sq. ft. mall; integrated communications between store owners, architects, building officials and contractors as well as implemented public relations strategies.

Smotrich and Platt Architects and Planners - Student Intern
New York, New York (1981-1982)
Participated in Columbia University dormitory renovations, luxury townhouse designs and Gracie Mansion restoration.

PROEFESSIONAL MEMBERSHIPS

Clarks Spring Elementary School	Lunch Buddy
Federal Reserve Bank of Richmond	
- Community Development Advisory Council	Vice-Chairperson
Leadership Metro Richmond	Alumnus (Class of 1995)
National Academy of Public Administration	Richmond Team Member
- High Performance Partnership Study	
Richmond Community Development Alliance	Founding Member
Richmond Industrial Development Authority	Commissioner
Robert Wood Johnson Foundation	
- Urban Health Initiative Fellows Program	Inaugural Fellow
Virginia Housing Coalition	President

EDUCATION

Columbia University - May 1985
New York, New York
Master of Science in Architecture and Urban Design

Virginia Polytechnic Institute and State University - June 1983
Blacksburg, Virginia
Bachelor of Architecture

Testimony of F. Barton Harvey III
Chairman of the Board and Chief Executive Officer
The Enterprise Foundation

On "Enhancing Community Development"

For the Subcommittee on Housing and Community Opportunity
Committee on Financial Services
House of Representatives
September 17, 2002

Introduction and Overview

Thank you, Chairwoman Roukema, Representative Frank and members of the Subcommittee for this opportunity to discuss enhancing community development through strengthening community-based organizations.

The Enterprise Foundation is a national nonprofit organization founded in 1982 by Jim and Patty Rouse that mobilizes private capital to support such grassroots groups and a wide range of their neighborhood revitalization initiatives. We have invested nearly $4 billion in low-income communities. Our local partners have used these resources to leverage an additional $7.5 billion in private and public investment in their neighborhoods. These resources have produced more than 132,000 affordable homes, helped more than 36,000 hard-to-employ people qualify for work and retain employment and provided quality daycare to more than 9,000 low-income children.

Our origins are in a single community-based organization here in Washington, D.C. Jim and Patty Rouse were inspired to start Enterprise by three women from the Church of the Saviour in Adams Morgan. They asked Jim for help in turning two run-down, rat-infested buildings blighting their neighborhood into affordable apartments for low-income residents of the area. Through multiple sources of financing and thousands of hours of volunteer time, the women achieved their goal. The buildings still provide a decent affordable home to low-income people in that community today.

The Rouse's launched Enterprise to help more low-income people like those in Adams Morgan revitalize their neighborhoods through grassroots organizations. Today, Enterprise's network of local partners includes 2,200 community and faith-based groups, public housing authorities and Native American Tribes in more than 800 locations.

Our national scope enables us to achieve economies of scale and diversity of risk for our private and public sector partners in community development. Enterprise is the bridge between those partners. To the grassroots, we provide resources, expertise and access to additional capital. To philanthropic and corporate institutions, we offer assurance that their funds are invested to achieve maximum impact. To federal, state and local government, we make certain that taxpayer dollars are appropriately targeted, efficiently used and fully leveraged with private financing.

The Importance of Community-Based Development Groups

Enterprise believes that community-based development organizations are vitally important institutions that warrant continued and expanded private and public support. We commend Representatives Tubbs-Jones and Watts for recognizing the need for more support for grassroots groups in their "Community Economic Development Expertise Enhancement Act of 2002" (H.R. 3974). We urge members of the Subcommittee to support substantially higher funding for proven programs to strengthen the grassroots community development system. Our testimony focuses on one: the "Section 4 Capacity Building for Community Development and Affordable Housing" initiative.

Community-based developers are proven producers of affordable housing and generators of private investment and economic development in the toughest markets in the country. Recent research indicates that there are more than 3,600 community development corporations (CDCs), by far the most common, but by no means the only, type of community-based development group. CDCs have produced approximately 550,000 affordable homes and apartments. In addition, they have provided nearly $2 billion in financing to almost 60,000 businesses, developed 71 million square feet of commercial and industrial space and created nearly 250,000 jobs.[i] Virtually all of this has occurred in the most distressed neighborhoods in America.

Grassroots community developers combine the best of private and public sector approaches to do what neither can do alone. They bring business discipline and entrepreneurial innovation to carrying out a public purpose mission. Federal Reserve Board chairman Alan Greenspan recently noted, "These innovators have succeeded in developing new approaches for engaging disadvantaged participants in the economy in the same manner that any successful organization does—by assessing need, evaluating risks, managing costs and developing appropriate products."[ii]

Community-based developers are accountable to the neighborhoods they serve because they are based there. Local leaders staff the organizations and lead them on their boards of directors. Their neighborhoods can see firsthand whether the group is serving the community's needs—and whether its work merits their support. Grassroots development groups gain credibility only by showing results, often working one family, one building, one block at a time. Their neighborhood focus forces them to concentrate on concrete objectives, not the vague plans or promises that sometimes characterize government solutions. Their mission ensures their commitment to the community through thick and thin. If a project stumbles, they do not walk away, the way a private business might from a failing venture.

Community-based groups cannot do it alone, however. Smaller organizations need steady, sustained support from multiple private and public partners to succeed. And even the most sophisticated organizations need reliable resources and expert advice to maintain and expand their successes. While the huge majority of support for community-based developers comes from the private sector, the federal government plays an important role. One especially vital federal program—launched to augment a private sector initiative—is Section 4.

Growing the Grassroots Through Section 4 Capacity Building

Through Section 4, HUD channels federal funds through intermediaries like Enterprise to help community-based groups hire and retain staff, invest in technology, develop business plans, improve internal systems and pursue new opportunities.

Section 4 funds also enable Enterprise to provide intensive training and technical assistance to groups we assist with capacity buildings funds in all aspects of housing and economic development as well as organizational management.

Congress enacted Section 4 in 1993 to allow HUD to participate in a private sector-led collaborative called the National Community Development Initiative (NCDI). The NCDI, now known as Living Cities, had been formed two years earlier by a group of national foundations, corporate institutions, Enterprise and the Local Initiatives Support Corporation (LISC).[iii] The purpose of the initiative was to strengthen grassroots groups, attract additional resources to expand their work and institutionalize continuing local support for community-based revitalization. Under the Living Cities initiative, funders channel resources through Enterprise and LISC to community-based organizations in 23 cities.[iv]

Between 1991 and 2000, Living Cities funds directly helped community-based groups develop almost 20,000 affordable homes and 1.7 million square feet of commercial and community facilities. In an independent evaluation, the Urban Institute found that community group strength, production and local support systems have grown significantly thanks to Living Cities investment. As a result, community-based groups "in many cities are now the most productive developers of affordable housing, outstripping private developers and public housing agencies," according to the Institute.[v]

Based on Living Cities' early success, Congress in 1997 appropriated Section 4 funds to Enterprise and LISC to assist community-based groups outside the 23 Living Cities locations, including in rural areas and on Tribal lands. Enterprise has assisted more than 200 groups in nearly 100 locations with these funds. (Since 1997, Congress also has provided Section 4 funds to Habitat for Humanity International and Youthbuild USA.)

Independent evaluations have confirmed Enterprise and LISC's success in using Section 4 funds outside Living Cities locations. According to a report by Weinheimer & Associates for HUD, "by and large the Section 4 program met and exceeded the goal established by Congress to develop the capacity of community development corporations to undertake community development and affordable housing projects and programs."[vi]

Reasons for Section 4's Success

Several factors account for the Section 4 initiative's success, in the view of independent evaluators. According to Weinheimer & Associates:

- "Section 4 itself created a pool of money dedicated to building capacity of nonprofit organizations. That set-aside of money signaled that the task of capacity building is important and merits its own funding. It is not just a by-product of other activities. This suggested to other leaders that capacity building is worthwhile and important.

- "The Section 4 money is flexible. This allowed both Enterprise and LISC to meet local needs and opportunities in a variety of locations. They were not restricted to one national model of capacity building.

- "HUD used two strong national organizations with a great deal of specialized knowledge in community development to deliver the capacity building assistance. Both Enterprise and LISC brought new tools and techniques to local situations and neighborhoods that usually were not previously present.

- "The intermediaries demonstrated an ability to innovate with new tools and techniques for capacity building. Both organizations also are engaged in developing technology-based learning tools that show promise for helping isolated CDCs.

- "In most cities, the intermediaries built local systems of support for the CDCs. That is, they enlisted local funders and supporters who leveraged their own resources, and they helped to create more streamlined funding streams for CDCs."[vii]

Another strength of Section 4 is the leverage it achieves. Section 4 recipients must match every federal dollar with at least three additional dollars of private support. In practice, Enterprise and LISC far exceed that requirement. For example, between 1991 and 2000, the two intermediaries used $41 million in Section 4 funds for Living Cities to raise $218 million from private partners, a leverage of more than five to one.

In addition, Section 4 investment and assistance has even larger leverage in terms of total development cost. For example, the $65 million in private and public capacity building funds Enterprise invested through Living Cities' first decade supported $889 million in total housing and economic development in low-income communities, a leverage of more than 13:1.

Matching funds and additional financial leverage are hugely important to community group capacity building initiatives. They ensure that the federal government maximizes the return on its investment and provide additional accountability on the use of federal funds by increasing the number of stakeholders in an organization's success.

Finally, Section 4 works because Enterprise, like LISC, ensures a high level of accountability among the groups we assist. The vast majority of our community partners meets or exceeds our high standards. Some experience setbacks, as any small business operating in a tough market does.

The following measures help assure those occurrences are rare and correctable:

- Detailed work plans and regular reports. Groups that receive commitments of Enterprise grant funds must develop detailed plans for how they would use the money. The work plans set out specific measurable objectives. Groups must report at least semi-annually to Enterprise on their progress—and setbacks. Enterprise works with groups to fix problems as they develop.

- Audits and site visits. The audits enable Enterprise to verify that groups have sufficient management controls in place to ensure they use taxpayer dollars in accordance with the law and the purpose of the grant. Enterprise audits a random sample of grantees each month. Audits include "desk reviews" as well as site visits. If audits uncover improper use of finds, Enterprise—not the federal government—must pay the cost. *This virtually never happens.*

- Hands-on training and technical assistance in conjunction with funding. Enterprise actively assists the groups it funds, especially the least experienced, in all aspects of organizational management and project development. In cities where Enterprise has an office, local staff deliver these services and are in constant contact with Enterprise's grassroots partners. Where we do not have staff "on the ground," national staff keep close tabs on grantees, through regular communication, site visits and through other local partners in the community.

Conclusion: Section 4 Works Well and Needs More Resources

The Section 4 program has a 10-year track record of real results in hundreds of urban and rural low-income communities. This model for enabling grassroots groups to be more efficient, effective agents of change is sound. But the initiative is underfunded relative to the need.

Last year, Congress appropriated $25 million in Section 4 funds to Enterprise and LISC to split equally. Again we are profoundly grateful for this support. But we need more of it to help all the groups and communities that need it. Enterprise and LISC requested $40 million for fiscal year 2003. The Senate Appropriations Committee provided $31.5 million in its version of HUD's fiscal year 2003 funding bill (Senate Report 107-222). The full increase we are seeking, to $40 million, while substantial in percentage terms, would still be less than a penny on the dollar within HUD's budget.

As we hope our testimony has shown, this limited investment of federal resources would leverage large private sector support to achieve substantial, lasting impacts in low-income communities. It would help ensure that scarce federal funds for housing have the impact Congress intends. And it would empower grassroots groups around the country to continue their community revitalization and family renewal efforts.

[i]National Congress for Community Economic Development, 1999 Community Development Census, as excerpted in *2000 Advocate's Guide to Housing and Community Development Policy*, National Low Income Housing Coalition, p. 6 and p. 14.

[ii] "Remarks by Chairman Alan Greenspan at the Greenlining Institute's Ninth Annual Economic Development Summit, Oakland, CA, January 10, 2002," p.3, Federal Reserve Board website.

[iii]The funder participants in Living Cities are the AXA Community Investment Program, Bank of America, The Annie E. Casey Foundation, J.P. Morgan Chase & Co., Deutsche Bank, Fannie Mae Foundation, The Robert Wood Johnson Foundation, W.K. Kellogg Foundation, John S. and James L. Knight Foundation, John D. and Catherine T. MacArthur Foundation, The McKnight Foundation, Metropolitan Life Insurance Company, The Prudential Insurance Company of America, The Rockefeller Foundation, Surdna Foundation, HUD and the Office of Community Services of the U.S. Department of Health and Human Services.

[iv] The cities are Atlanta, Baltimore, Boston, Chicago, Cleveland, Columbus (OH), Dallas, Denver, Detroit, Indianapolis, Kansas City (MO), Los Angeles, Miami, Newark (NJ), New York, Philadelphia, Phoenix, Portland (OR), San Antonio, San Francisco Bay Area, Seattle, St. Paul (MN) and Washington, DC.

[v]Walker and Weinheimer, *Community Development in the 1990's*, Urban Institute, 1998, p. 1.

[vi] Weinheimer, Engdahl and Honor, *HUD Section 4—Building the Capacity of Community Development Corporations: Assessment Report For FY 1997 Funds*, Weinheimer &Associates, 2001, p.2.

[vii] Weinheimer, Engdahl and Honor, pp.3-4.

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Housing and Community Opportunity, Committee on Financial Services House of Representatives

For Release on Delivery
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HUD MANAGEMENT

Impact Measurement Needed for Technical Assistance

Statement of Thomas J. McCool, Managing Director
Financial Markets and Community Investment

GAO
Accountability * Integrity * Reliability

GAO-02-1109T

Madam Chairwoman and Members of the Subcommittee:

We are here today to discuss the results of our review of U.S. Department of Housing and Urban Development's (HUD) technical assistance and capacity-building programs. HUD's fiscal year 2002 budget is over $34 billion, most of which is passed on to state and local governments and other agencies and organizations that carry out HUD's programs. Providing these entities with technical assistance and capacity building is an important means for HUD to influence how its program funds are spent.

The Congress and HUD sometimes use the terms technical assistance and capacity building interchangeably and the definitions overlap. Technical assistance programs can be generally defined as training designed to improve the performance or management of program recipients, such as teaching one-on-one procurement regulations to housing authority staff. Capacity building can be generally defined as funding to strengthen the capacity or capability of program recipients or providers–typically housing or community development organizations–thereby building the institutional knowledge within those organizations. Some of the programs have both technical assistance and capacity building aspects. The overall goal of both technical assistance and capacity building is to enhance the delivery of HUD's housing and community development programs. While HUD staff whose costs are covered by HUD's salary and expenses budgets routinely provide a wide range of technical assistance as part of their day-to-day activities, our work focused on funding specifically authorized by Congress to be used for technical assistance or capacity building. To simplify matters today, except when citing specific examples, I will use the term technical assistance to refer to both.

You asked us to examine the universe of technical assistance programs in HUD so that you could better understand the scope and purpose of the programs. Our statement focuses on (1) the number of HUD technical assistance programs Congress has authorized and how much they cost, (2) why HUD offers technical assistance programs and who provides and receives the services, (3) how HUD selects technical assistance providers, and (4) whether HUD program offices are overseeing the technical assistance programs as required and measuring their impact.

In summary:

- HUD administers 21 technical assistance programs through five program offices. From fiscal year1998 through fiscal year 2002, the annual funding for HUD technical assistance ranged between $128 million and $201 million, accounting for less than 1 percent of HUD's overall budget each year.

- While the general purpose of HUD's technical assistance is to help program participants carry out HUD program goals, each program office designs technical assistance specifically related to its programs. For example, an Office of Healthy Homes-Lead Hazard Control technical assistance program might consist of classes to teach a group of property owners and maintenance workers how to evaluate and control lead-based paint hazards. Similarly, an Office of Community Planning and Development capacity building program might involve funding for a community-based organization to help that organization improve its administrative capabilities. Recipients could be states and units of local government, public or Indian housing agencies, private and nonprofit organizations, or individuals. Providers could be HUD officials or, more commonly, state or local governments, profit and nonprofit organizations, or public housing agencies.

- HUD awards funding for 17 of the 21 technical assistance programs competitively. The funding for the remaining programs is awarded noncompetitively. HUD uses three types of funding instruments (contracts, grant agreements, and cooperative agreements) and determines which type to use on the basis of its relationship with the awardee and the level of federal involvement anticipated. Depending on the complexity of the individual program office's funding instrument requirements, this process can take from 3 months to over a year to complete. Noncompetitive funding is either specified by statute or based on a formula set by HUD.

- All five HUD program offices perform basic oversight of the technical assistance they administer, such as visually observing the technical assistance or reviewing reports submitted by the providers to ensure that the technical assistance was provided. In addition, some program offices also have impact measures in place. In line with the Government Performance and Results Act of 1993, HUD program officials are required to develop measures and track performance relative to the goals in the agencies strategic and annual performance plans. However, HUD does not measure the impact or outcomes of technical assistance and does not offer any central guidance on how the program offices should measure its impact. Although some headquarters and field officials said that it was difficult to measure the impact of technical assistance, other officials said that they had developed and were using impact measures in some locations. Because HUD spends substantial sums for technical assistance and uses it to meet program goals and influence far greater expenditures of program funds, we are recommending that HUD, where possible, measure the impact of the technical assistance and develop consistent guidance for program offices to use.

While we have yet to receive the official written comments, we received oral confirmation that the Department generally agrees with our report, that it will require HUD offices to develop impact measures, and that it will develop guidance for the five program offices.

HUD Administers 21 Technical Assistance Programs at an Annual Total Cost of between $128 Million and $201 Million

Between fiscal years 1998 and 2002, HUD administered a total of 21 technical assistance programs, most of which are associated with programs in its offices of Community Planning and Development and Public and Indian Housing. The other three offices that administer technical assistance programs are the offices of Housing, Fair Housing and Equal Opportunity, and Healthy Homes-Lead Hazard Control.

Table 1 lists the 21 technical assistance programs, by program office, and their budgets.

Table 1: HUD's Technical Assistance Programs by Program Office, Fiscal Years 1998-2002

	In Millions of Dollars				
Program/Initiative[1]	FY 1998 (actual)	FY 1999 (actual)	FY 2000 (actual)	FY 2001 (actual)	FY 2002 estimate
I- Office of Community Planning and Development					
1- HOME Investment Partnership Program -Technical Assistance	22.0	22.0	22.0	22.0	12.0
2- Section 4- Capacity Building *	18.0	25.0	26.3	32.4	31.0
3- Section 107 - Technical Assistance *	4.0	7.5	0.0	0.0	0.0
4- Youthbuild Program- Technical Assistance *	1.8	2.1	2.1	3.0	3.3
5- Housing Assistance Council (HAC) *	2.1	3.0	3.0	3.0	3.3
6- Homeless Assistance Grants - Technical Assistance	0.0	9.8	10.2	7.7	6.6
7- Rural Housing- Capacity Building	0.0	4.0	2.8	12.0	12.0
8- HOPWA- Housing Opportunities for Persons with AIDS-	0.0	2.3	1.7	2.6	2.0
II- Office of Public and Indian Housing					
9- Office of Troubled Agency Recovery (OTAR)	8.9	17.3	15.4	11.0	11.5
10- HOPE VI Urban Revitalization	10.0	15.0	10.0	10.0	6.3
11- Resident Opportunities and Self Sufficiency (ROSS)	0.0	11.0	11.0	11.0	11.0
12- Drug Elimination[2]	10.0	10.0	5.0	3.0	0.0
13- Native American (Indian) Housing Block Grant Technical Assistance	5.0	6.0	4.0	6.0	5.0
14- National American Indian Housing Council (NAIHC) * ^	1.5	1.8	4.2	2.6	4.8
15- Capital Fund Program	2.5	2.5	2.5	4.8	2.5
16- Housing Choice Voucher Program (Section 8)	0.0	0.0	0.0	0.0	10.0
III- Office of Housing--Office of Multifamily Housing Assistance Restructuring					
17- Housing Counseling	20.0	17.5	15.0	20.0	20.0
18- Mark-2-Market Program- Technical Assistance Grants	10.0	10.0	10.0	10.0	11.3
IV- Office of Fair Housing and Equal Opportunity					
19- Fair Housing Assistance Program (FHAP)	7.5	8.3	11.0	12.1	15.4
20- Fair Housing Initiative Program (FHIP)[3]	3.4	4.8	6.1	5.4	6.7
V- Office of Healthy Homes and Lead Hazard Control					
21- Lead-Based Paint Hazard Reduction	1.0	3.0	5.0	22.0	5.0
TOTAL FUNDING	**127.7**	**182.9**	**167.3**	**200.6**	**179.7**

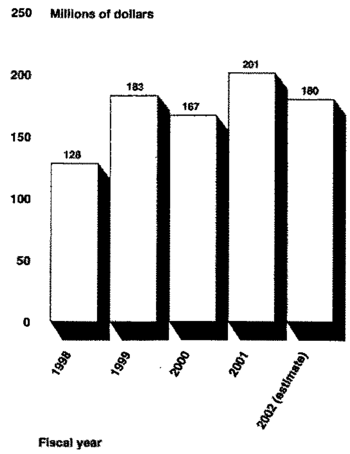
* Technical Assistance/Capacity Building funds set aside within the Community Development Block Grant (CDBG)
^ Technical Assistance funds set aside within the Indian Housing Block Grant (IHBG)

Source: GAO's analysis of HUD data.

[1] This does not include technical assistance or capacity building services paid for by HUD staff salaries and expenses.
[2] This program was discontinued in FY 2002.
[3] This amount is a total of a percent of Education and Outreach, Private Enforcement, and Fair Housing Organizations Initiatives.

As shown in Figure 1, from fiscal year 1998 through fiscal year 2002, the annual funding for all of HUD's technical assistance programs ranged from $128 million to $201 million. These sums accounted for less than 1 percent of HUD's overall budget, which averaged about $28 billion in each of those years.

Figure 1: Funding for Technical Assistance, Fiscal Years 1998-2002

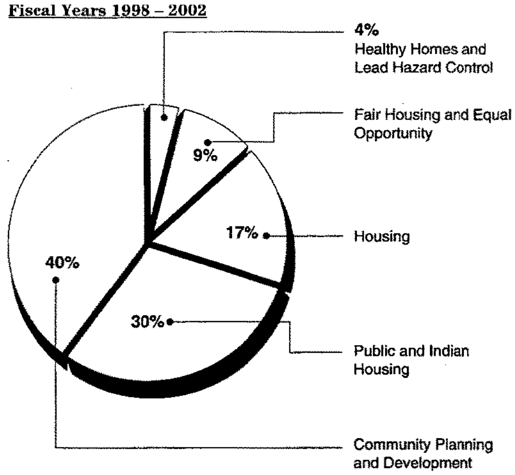


Source: GAO Analysis of HUD Data

Technical assistance funds fluctuated each year because the funds for specific technical assistance programs increased or decreased or because technical assistance programs were introduced or discontinued in any given year. For example, technical assistance funding increased by 43 percent from fiscal year 1998 to fiscal year 1999. During this time, the technical assistance funds (1) increased from $9 million to $17 million for the Office of Troubled Agency Recovery, (2) were initiated in 1999 with $11 million for Resident Opportunities and Self-Sufficiency, and (3) increased from $18 million to $25 million for section 4 capacity building under the Community Development Block Grant program. From fiscal year 2001 to fiscal year 2002, estimated, technical assistance funding fell by about 10 percent, primarily because the Lead-Based Paint Hazard Reduction funds were reduced from $22 million to $5 million, the HOME funds were reduced from $22 million to $12 million, the HOPE VI funds were reduced from $10 million to $6.3 million, and the Drug Elimination Grant Program and its technical assistance funds were abolished.

Figure 2 illustrates the breakdown of the cumulative technical assistance funding from fiscal year 1998 through fiscal year 2002 by program office. Not surprisingly, the two offices that administer the largest number of programs have the largest share of the overall technical assistance budget.

Figure 2: Five Year Average Percentage of Total Technical Assistance Funds by Program Office, Fiscal Years 1998 – 2002



Source: GAO's analysis of HUD data.

Technical Assistance Programs Vary by Program, Provider, and Recipient

While the overriding purpose of technical assistance is to improve the ability of program participants to administer HUD's programs more effectively, each HUD program office determines its own approach and administers technical assistance according to its program needs. Table 2 describes the purpose of the technical assistance as defined by the five HUD program offices.

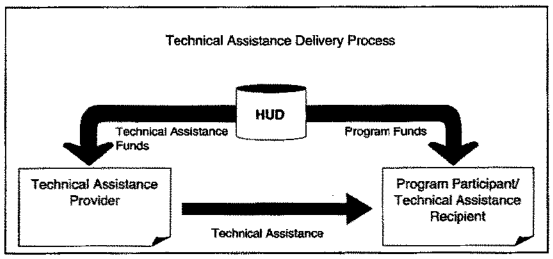
Table 2: Technical Assistance Provided by Five HUD Program Offices

HUD program office	Purpose of technical assistance
Office of Community Planning and Development	Help grass roots organizations successfully access and utilize HUD's programs and resources to help them craft creative ways to accomplish local community development goals.
Office of Public and Indian Housing	Help public and Indian housing agencies and residents improve their management, planning, and monitoring practices and resident services.
Office of Housing–Office of Multifamily Housing Assistance Restructuring	Help educate and assist tenants who are living in buildings that are undergoing financial restructuring to make meaningful decisions about their housing.
Office of Fair Housing and Equal Opportunity	Help organizations reduce housing discrimination and provide an open and free housing market.
Office of Healthy Homes and Lead Hazard Control	Improve methods to detect and control residential lead-based paint hazards.

Source: HUD.

HUD provides appropriated funds both for its primary programs and for related technical assistance programs. It distributes the program funds to program participants such as state and local governments and other participating organizations, and it awards the technical assistance funds to providers, which use the money to deliver technical assistance to recipients. Figure 3 illustrates this process.

Figure 3: How HUD Delivers Technical Assistance



Source: GAO 's analysis of HUD data.

The recipients of HUD's technical assistance are generally those entities or organizations that administer HUD's programs. They also vary by program and include state and local governments, public and Indian housing agencies, tenants of federally subsidized housing, and property owners receiving federal housing subsidies.

The providers of technical assistance can be HUD officials but typically are entities or organizations that receive funding from HUD to deliver such assistance. Providers, which also vary by program, include community-based, for-profit, and nonprofit organizations; public and Indian housing agencies; housing finance agencies; and resident service organizations.

We visited with technical assistance providers in selected locations across the country to observe the various methods used by each of the five program offices to deliver technical assistance to recipients. In the following examples, each case details the recipients, providers, and purpose of the technical assistance provided.

- The recipients of the Office of Community Planning and Development's technical assistance are local nonprofit organizations, state and local governments, and other organizations participating in and receiving funds through HUD's community development programs. The providers of these technical assistance programs are for-profit and nonprofit organizations and government agencies that have demonstrated expertise in providing the guidance and training that program participants can use. For 2 days, we observed a technical assistance provider for the HOME program work with two community housing development organizations in Arkansas. The purpose of the technical assistance was to help the organizations plan for and improve their procedures for developing low-income rural housing. Over the 2 days, the technical assistance provider evaluated the housing built by the community development organizations with HOME program funds and advised them on HUD-mandated procedures for counseling prospective low-income home buyers.

- The recipients of technical assistance provided through the Office of Public and Indian Housing's Resident Opportunities and Self-Sufficiency Program's capacity building funds are associations of public housing residents that HUD has determined lack the capacity to administer welfare-to-work programs or conduct management activities. The providers of the technical assistance are resident and other nonprofit organizations. We observed a 1-day conference conducted by a Massachusetts statewide public housing tenant organization in conjunction with several other organizations. The training was designed to increase the knowledge and build the capacity of public housing agencies, their residents, and state and local officials involved in planning and rulemaking. Topics included income recertification, methods of influencing housing legislation, public housing safety and security, and private-market housing initiatives. A Boston HUD employee served as a panel member during one of the training sessions.

- The recipients of the Office of Fair Housing and Equal Opportunity's technical assistance include state and local fair housing enforcement agencies, public and private nonprofit fair housing agencies, and other groups that are working to prevent and eliminate discriminatory housing practices. According to an official from the Office of Fair Housing and Equal Opportunity, providers of technical assistance are HUD staff and qualified, established fair housing enforcement agencies. We observed a Fair Housing employee in HUD's San Francisco regional office provide technical assistance training to 10 employees of California's Department of Fair Employment and Housing. The objective was to help the state agency process fair housing complaints more effectively, and the topics included tips on investigating fair housing complaints, theories of discrimination, and case conciliation and evidence.

- The recipients of technical assistance provided through the Office of Housing's Outreach and Technical Assistance Grants are tenants living in federally subsidized properties affected by mortgage restructuring through the Mark-to-Market program. The providers of technical assistance are small or large community-based organizations that focus on improving tenant's ability to understand the restructuring of their Section 8 property. In Columbus, Ohio, we observed a meeting between the potential new owners of a HUD property scheduled to undergo financial restructuring and two organizations representing the tenants who live there. The purpose of the meeting, coordinated by a technical assistance provider, was to give tenants a role in the restructuring process and to keep them apprised of potential changes to their building. Topics discussed included rent stabilization, building renovations, security systems, and modifications for handicapped accessibility.

- The recipients of technical assistance provided through the Office of Healthy Homes and Lead Hazard Control's Technical Studies Programs include state, local, and tribal governments; private property owners; and individuals who are maintenance and renovation workers. The providers of technical assistance include academic and nonprofit organizations, state and local governments, and federally recognized Indian tribes. We observed a technical assistance provider conduct mandatory classroom training for about 50 owners and workers of federally subsidized properties at a Philadelphia housing authority maintenance facility. The recipients hoped to become certified to remove lead-based paint hazards from their properties by learning safe work practices at the training. The course covered such topics as lead exposure and maintenance work, lead safety, and quality assurance.

HUD Selects Most Technical Assistance Providers through a Competitive Process

HUD selects technical assistance providers both competitively and noncompetitively.[4] Seventeen of the 21 technical assistance programs used a competitive selection process. Because Congress specifies the organizations to provide the technical assistance under three of Community Planning and Development's Block Grant Programs, HUD distributes the funds for those programs noncompetitively. The fourth noncompetitive program, the Fair Housing Assistance program, is noncompetitive because the funds are distributed through a formula grant to all eligible state and local fair housing enforcement agencies. The process for obtaining an award also varies by funding instrument. HUD has a set policy explaining the procedures and protocols for using the various funding instruments (contracts, grants, and cooperative agreements).

Funding for Technical Assistance May Be Awarded Competitively or Noncompetitively

When HUD selects technical assistance providers competitively, it awards funding through contracts, grant agreements, and cooperative agreements. HUD refers to all three award mechanisms as funding instruments.

- A contract is used when the principal purpose of the award is the acquisition by purchase, lease, or barter of property or services for the direct benefit of the government. According to the Director of the Office of Departmental Grants Management and Oversight, contracts are the award instrument that gives HUD the most control because HUD simply directs the contractor to do a specific task. For example, a program official in the Office of Native American Programs told us that her office retains decision-making authority by issuing contracts that enable her to control the technical assistance providers' use of funds and outreach to recipients.

- A grant agreement is used when the principal purpose of the relationship between the awardee and HUD is the transfer of money or property for a public purpose and substantial federal involvement is not anticipated.

- A cooperative agreement's[5] purpose is similar to a grant agreement's purpose, but is generally used when the awarding agency anticipates the need for close federal

[4] Although some of HUD's major programs, such as the Housing Opportunities for Persons With AIDS and the Community Development Block Grant, are noncompetitive, the technical assistance components of these programs are competitive.
[5] Cooperative agreements for the Office of Community Planning and Development are usually for 3 years and may be extended for an additional year.

involvement over the life of the award. The cooperative agreement stipulates the nature, character, and extent of the anticipated involvement. A HUD official told us that a cooperative agreement generally gives HUD less control than a contract, but more control than a grant agreement.

HUD's Office of Departmental Grants Management and Oversight provides basic guidelines on when to use a contract, grant, or cooperative agreement. According to HUD, a program office, when selecting the appropriate funding instrument to be used, should first look to the program's authorizing legislation for authority to enter into a contract or other type of arrangement.

Noncompetitive awards are specified by statute or based on a formula. Specifically, Congress appropriates technical assistance funds noncompetitively for the Local Initiative Support Corporation, the Enterprise Foundation, Habitat for Humanity, Youthbuild USA, and the Housing Assistance Council under the Community Development Block Grant (CDBG) program, administered by HUD's Office of Community Planning and Development.[6] Congress also appropriates noncompetitive funding for National American Indian Housing Council technical assistance programs, administered by the Office of Pubic and Indian Housing. In addition, HUD's Office of Fair Housing and Equal Opportunity uses a formula to distribute Fair Housing and Assistance technical assistance funds. These noncompetitive, technical assistance programs comprised $50.1 million in fiscal year 2001, about 25 percent of the technical assistance funding for that year and about $54.5 million, or 30 percent of the fiscal year 2002 technical assistance funding.

Processes for Obtaining Competitive and Noncompetitive Funding Vary

Prospective technical assistance providers respond either to a HUD request for a proposal for a contract or to a Notice of Funding Availability (NOFA) for a grant or cooperative agreement. In practice, HUD has issued the funding notices for the majority of its grants and cooperative agreements, including its technical assistance funding, in a single notice called the SuperNOFA (Super Notice of Funding Availability).

Applicants submit contract proposals or funding applications to HUD staff who make recommendations to each program office's selecting officials. These officials then make the final selections and announce the awards. Contract proposals are managed through HUD headquarters or designated contracting offices, while applications for grants or cooperative agreements for some technical assistance programs are submitted to both headquarters and the field office in which the applicant is seeking to provide services.

Any award, regardless of the type of funding instrument, has a fixed performance period. The contract request for proposal or NOFA will stipulate the proposed period of performance and indicate whether additional funding can be provided beyond the period of performance without further competition.

[6]The Local Initiative Support Corporation and the Enterprise Foundation administer the funding for, among other purposes, the National Community Development Initiative under Section 4 of the HUD Demonstration Act of 1993, as amended.

Program Offices Have Oversight Procedures in Place, and Some Have Technical Assistance Impact Measures, Although Such Measures Are Not Required

The five offices that administer technical assistance have basic oversight procedures in place. Such procedures usually include monitoring the technical assistance provider's performance by reviewing payment requests and financial reports, and providing a written evaluation of the technical assistance provider's performance. Most program offices require technical assistance providers to submit quarterly, annual, or close-out reports, or a combination of these reports, on the status of their technical assistance programs, which are to be reviewed by HUD program staff. Headquarters or field office staff may be directly responsible for oversight, depending on which office administers the technical assistance, though headquarters offices are ultimately responsible for ensuring that appropriate oversight is conducted.

HUD does not offer any central guidance on, or require its program offices to directly measure, the impact or outcomes of the technical assistance programs they administer. The Government Performance and Results Act of 1993 (GPRA) requires that program officials develop performance measures and track performance relative to the goals in their strategic and annual plans. However, according to the Director of HUD's Office of Departmental Operations and Coordination, this requirement does not apply to the related technical assistance programs.[7] In his view, if the technical assistance supports the program and the program is doing well, then the technical assistance is having a positive impact. However, GPRA emphasizes the importance of establishing objective and quantifiable measures at each organizational level that can be linked to the overall agency program goals. Without specific measures on the impact of its technical assistance, HUD cannot demonstrate the incremental value of the assistance.

The Director of the Office of Departmental Grants Management and Compliance told us that HUD is not planning any initiatives to coordinate how program offices are measuring the impact of their technical assistance programs. An official from the Massachusetts State Office of Community Planning and Development told us that without this guidance, it is unclear how the impact of these services should be measured. We found a wide range of HUD processes for measuring the impact of technical assistance, ranging from CPD's section 4 capacity building organizations, which document detailed evaluations of their accomplishments; to CPD's Rural Housing and Economic Development program, which collects annual outcome data; to Public and Indian Housing's Resident Opportunity Self Sufficiency Program, which has no established process and measures performance on a grant-by-grant basis.

While some program officials have said that it is difficult or not even possible to measure the impact of technical assistance, other program offices have impact measures in place.

- A Public and Indian Housing (PIH) field official from the Office of Native American Programs told us that he has seen nationwide training courses that he believes are inefficient and expensive. While he believes that local one-on-one training would be more productive, he does not believe he could measure whether

[7] CPD, through the SuperNOFA, does require that its technical assistance providers develop methodologies to be used for measuring the success of their programs. However, according to the director in CPD's Office of Technical Assistance and Management, CPD is collecting the data needed to measure program impact but does not have the capacity to do anything with the information.

attendees are retaining the information received or whether one-on-one training would be more effective. By contrast, a PIH official said that the office conducts evaluations after the technical assistance for drug elimination is provided and then follows-up with another evaluation in 6 months to measure recipients' retention of information. We also spoke with a technical assistance provider who administers multiple questionnaires to measure recipients' retention of material taught at homeless training programs.

- Similarly, Chicago CPD staff reported that they measure the success of technical assistance programs aimed at teaching local groups how to apply for federal grants by the number of grantees that submit proper paperwork.

Even though some officials maintain that they cannot measure the impact of technical assistance, other officials have developed and are using measures that seem to be reasonable indicators of the impact of their technical assistance programs. While such measures may not be practicable for every program, HUD cannot demonstrate the effectiveness of its technical assistance without some indication of its impact. Furthermore, without such measures, HUD cannot ensure accountability for the $100 million to $200 million that Congress sets asides each year for technical assistance or demonstrate the incremental value of its technical assistance–that is, how much more its programs are achieving with the technical assistance than they would have achieved without it. Finally, since technical assistance is an important means through which HUD oversees and influences expenditures of program funds–which are about 100 times greater than expenditures of technical assistance funds–it would seem logical for each of its program offices to develop guidance to ensure that the technical assistance programs are producing the intended results.

Madam Chairwoman, HUD spends millions of dollars each year on technical assistance, distributing the funding through several types of instruments to a wide variety of providers and recipients for a wide variety of purposes. HUD does not require its program offices to measure the impact of this technical assistance and, to date, has not developed guidance for its program offices to measure the impact of the assistance. While we have yet to receive the official written comments, we received oral confirmation that the Department generally agrees with our findings, that it will require HUD offices to develop impact measures, and that it will develop guidance for the five program offices.

Our report, which we plan to issue next month, will have a recommendation to address these shortcomings.

Madam Chairwoman, this concludes our statement. We would be pleased to respond to any questions that you or Members of the Subcommittee may have.

(250101)

NCCED

Empowering
PEOPLE, ORGANIZATIONS
and COMMUNITIES

Abdul Sm Rasheed

Chairman

National Congress for Community Economic Development

Testimony before the

Housing and Community Opportunity Subcommittee

of the House Committee on Financial Services

Tuesday, September 17, 2002

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I want to begin by thanking this Subcommittee for its support of affordable housing and community development initiatives. Chairwoman Roukema, Congresswoman Tubbs Jones, and Subcommittee members, I thank you for the opportunity to appear before you today to discuss community revitalization strategies in rural and urban communities. We are very honored that during this time of national and international crises that you made time to ensure that the House of Representatives acted on legislation that would invest in the "every-day heroes," the leaders of community based organizations that provide needed jobs, homes, and services to families and communities often neglected.

The enactment of H.R. 3974, The Community Economic Development Expertise Enhancement Act of 2002, is the top priority for the members of the National Congress for Community Economic Development. NCCED supports this legislation because it provides critical technical assistance for projects and capacity building for organizations to help the nation's community development organizations (CDCs) better utilize market forces and private sector investments in their government supported economic revitalization strategies. We appreciate the leadership of Congresswoman Tubbs Jones and Congressman Watts to introduce this bill that supports the comprehensive scope and indigenous origins of the nation's 3,600 CDCs.

What would the Community Economic Development Expertise Enhancement Act do?

CEDA would:

- Provide federal funding to enhance the capabilities of nonprofit, nongovernmental, community-based economic development organizations to leverage private sector investment as part of an overall community development strategy.
- Establish educational programs for nonprofit, nongovernmental, community-based organizations to expand their project development capabilities.
- Increase the use of tax incentives to leverage private sector investment in community economic development projects and promote and facilitate investments in community-based economic development projects from traditional and nontraditional capital sources.
- Encourage partnerships between community-based organizations that will expand and enhance the expertise of emerging such nonprofit, nongovernmental organizations in utilizing private sector investment as part of their comprehensive community development strategies.
- Ensure that viable community economic development projects are successfully pursued throughout the United States in communities having a wide range of economic, geographic, and social characteristics.
- Provide Community Reinvestment credit for investments by regulated financial institutions in community economic development projects of eligible community based economic development organizations.

What are CDCs?

NCCED is the trade association of the nation's community-based development organizations (CDCs). As H.R. 3974 states, the success of these 3,600 nonprofit CDCs is well known. The leaders of community-based organizations are often praised as "points of light" in "new markets." With area residents making up a majority of their boards of directors, CDCs are at the center of initiatives that are the difference between a community that is economically marginalized or economically viable. In many communities, local government has turned to CDCs as the primary vehicle to rebuild distressed neighborhoods. They leverage public sector funds to entice private capital and investment back to their communities. They also involve and follow the direction and priorities of community residents in designing and implementing anti-poverty activities. They are frequently the most productive – and in some cases only -- developers of affordable housing in low-income communities. CDCs also play a critical role in addressing human development needs for individuals and communities. These nonprofit CDCs undertake an economic and housing development approach to poverty alleviation that is just as critical as a social services approach.

The average CDC is a lean organization. It has an annual budget of $200,000 to $399,000, a median staff size of six and has operated for fifteen years. About sixty percent of CDCs responding to NCCED's 1998 Census reported staffs of ten or fewer members. For this reason, partnering with consultants or other peer organizations is frequently necessary. While most CDCs rely heavily on volunteers, the bulk of the complex development is handled by staff. Technical assistance plays a critical role in helping CDCs successfully undertake market-changing projects.

There are CDCs in nearly every large and medium sized city in the nation as well as in many rural areas. Fifty-two percent of CDCs serve urban areas, 26 percent serve rural areas, and 22 percent serve mixed areas. Twenty-eight percent of CDCs work in the South. Twenty seven percent serve the Northeast. Twenty-five percent serve the North Central and twenty percent serve the West. Eighty-four percent serve low-income neighborhoods including twenty-one percent in poverty level communities with an income below thirty percent of the median area income. Twenty-nine percent serve very low-income communities that earn between thirty and fifty percent of the median area income.

CDCs' positive results include:

- **Affordable Housing Production:** Built more than 550,000 homes and apartments, about one-third of the nation's affordable housing;
- **Commercial and Industrial Real Estate Development:** Produced 71 million square feet of commercial and industrial space;
- **Small and Micro-business lending:** Loaned $1.9 billion to 59,000 businesses oftentimes as the only source of credit to these entrepreneurs. CDCs often provide needed technical assistance as well; and
- **Job Creation:** Created 247,000 private sector jobs while providing employment support and training to community residents.[i]

Why does the nation need the Community Economic Development Expertise Enhancement Act?

While the impact of the work of CDCs has been profound, increasing the size and diversity of programs of CDCs could dramatically increase their productivity, which means more cost effective production of affordable housing, business lending, workforce development, and commercial, retail, and industrial development. Community development is complex, requiring significant construction, financing, zoning, fundraising, community-building, and development expertise. The average CDC development has nearly a dozen different financing sources all with different compliance requirements and requiring partnerships and collaborations. Nowhere is this needed more than in efforts to leverage private sector resources. While Congress has provided tax incentives to support community development, it has not provided any training or technical assistance to assist groups to develop and implement a private sector economic development partnership. Greater investment in the specific expertise needed for expansion in size and program sophistication of CDCs could result in more sustainable development in distressed communities throughout the United States

CEDA will expand the capacities of CDCs to complete new and necessary ventures such as mixed-use development, tax credit financing, brownfields development, immigrant and refugee assistance initiatives, economic development, ex-offender/prisoner reentry initiatives, and equity investments. CEDA will ensure organizations can make the best use of federal resources and increase their collaboration with the private sector. Technical assistance is critical to structure and implement a deal, yet technical assistance resources are inadequate, inappropriate, and inaccessible for too many groups.

What is technical assistance?

Technical assistance builds the capacity of CDCs to develop their communities. There are two broad types of technical assistance:

1. Enhancement of staff capacity in functional areas (real estate, financing, small business, investor marketing, neighborhood mapping, etc.), in which the cumulative knowledge of the staff and board improves the CDCs capacity to operate; and

2. Access to outside expertise, (bond financing, legal and accounting professional services) and other highly specialized technical areas in which the support is needed, but the CDC cannot afford to have on staff.

Some examples of technical assistance include:

- A CDC could hire an accountant and an attorney to help them set up a for-profit subsidiary in order to utilize a New Market Tax Credit allocation.
- A CDC could provide training to staff and board members to help them better manage its development and operation of the corporation. This might include training for board

members on the relationship between a parent or controlling organization and its subsidiaries, and the financial and legal consequences of having subsidiaries.

- A CDC might hire staff or a consultant (with a strong finance background) to serve as liaison to local/regional financial institutions, i.e., banks, credit unions, venture capital firms, etc., for the development of community investment strategies, sources of capital and access guides, and informational literature and brochures.
- A CDC could hire a staff-member fluent in Spanish to assist new Central American immigrants with housing, workforce development, and business opportunities.
- A CDC could hire a staff member to work with ex-offenders prior to their release from prison to help them get situated in a job and home.
- A CDC could hire a consultant to help them comply with lead-based paint regulations.

What is Capacity Building?

Capacity building is defined as "the ability of nonprofit organizations to fulfill their missions in an effective manner.[ii]" Management audits, financial indicators, business planning processes are used to gauge the capacity and performance of CDCs. Organizational capacity is a necessary condition for achieving sustained project and program success. However project technical assistance is also essential to realize the expanded cost effective CDC activity that is an objective of CEDA.

How is technical assistance and capacity building different from core operating support?

Technical assistance (TA) is specifically designed to enhance the expertise (competency) of the staff and board and increase their capacity to expand or undertake new types of needed projects. Core operating support is designed to pay for the basic ongoing costs of operating the organization (staff and support costs including community outreach and involvement and collaboration with other sectors, agencies and organizations).

There is no argument from CDC advocates or practitioners that CDCs, and nonprofits serving very low-income communities and residents, need core-operating support. There is clear evidence that increased long-term core operating support allows an organization to spend more time increasing its competencies and capacities resulting in greater production outcomes and more durable institutions.

Multi-year programs are the best approach to providing core supports because they permit CDC leadership to plan and implement comprehensive development. Multi-year funding structures provide immense, concomitant benefits to CDC programs and their beneficiaries including:

1) Development of seamless multi-year community projects;
2) Ability to successfully incubate and graduate participants/ entrepreneurs in multi-year business development training programs;

3) Establishment of multi-year community partnerships, obviating the need for withdrawal caveats in contract clauses—which can avoid delays that could cause negative community relations.

Why is technical assistance needed?

Technical assistance can greatly assist the production capacities of CDCs resulting in more jobs, businesses, investments, and homes for lower-income families. A small investment by the federal government can provide returns greatly exceeding the costs within a few years. Returns include increasing the tax base due to property, income, and sales taxes paid and reducing dependence on the social welfare system. In addition, a CDC by fixing a major eyesore in a community, can change the image of that neighborhood and encourage private investment.

Community revitalization is a time-intensive process that requires a sophisticated understanding of economic markets and community dynamics. As CDCs seek to make market-based decisions, they are being asked to undertake complex deals. The funding sources themselves are much more complex including federal and state tax credits, multi-year compliance; equity and debt sources; and a variety of federal, state, and local funds. Private sector resources often require awareness of the business cultures and priorities to succeed.

How has Congress historically and currently funded technical assistance to increase the capacity of CDCs?

There is no federal assistance program that provides assistance directly to CDCs for capacity building and technical assistance. Very little of the $15 billion the federal government invests in community revitalization is distributed for technical assistance to build capacity of practitioners operating in low-income distressed communities. The vast majority of the funds are distributed through tax credits to investors or to government entities primarily for project support. The vast majority of federal community revitalization programs have no technical assistance or capacity building funds. For example, two recently enacted programs, the New Markets Tax Credit and the Assets for Independence Act include *no* funding for technical assistance or capacity building. Programs that used to provide technical assistance, like the Community Development Block Grant program (CDBG), have not been funded for years. Technical assistance funds through HOME Community Housing Development Organizations have been falling for years with no funding made available this year.

For a brief time, CDCs were assisted through Title VII of the Economic Opportunity Act. However, since the 1980s, there have been few dollars to build the capacity of these organizations. The John Heinz Neighborhood Development Program was funded at HUD from 1987 until 1996. In the early 1990s, Congress chose to include administrative and training costs as eligible activities under the two popular programs mentioned previously – CDBG and HOME. In the mid 1990s, Congress provided funding for the National Community Development Initiative ($10 million from HUD) and the Rural Community Development Initiative ($6 million from the U.S. Department of Agriculture) to specifically provide capacity building and technical assistance.

The John Heinz Neighborhood Development Program (JHNDP) provided direct assistance to neighborhood community economic development groups, but funds were limited and not available to rural groups. The JHNDP was targeted to low and moderate-income neighborhoods. Grants of up to $75,000 were available through the program and spending requirements were flexible. Funds could be used to build the capacity of neighborhood groups, allowing them to hire additional staff, train existing staff, pay up-front pre-development costs, and explore innovative approaches to community development. The critical bridge financing provided by the JHNDP enabled small groups to undertake complex development activities, expanding private sector production and creating jobs for local residents.

CDBG and HOME. In the early 1990s, Congress made changes to CDBG and HOME, the two major federal sources for community revitalization. Congress permitted each local jurisdiction to choose to invest up to five percent of its formula allocation for "capacity building" under HOME or "technical assistance" under CDBG of community organizations. According to HUD data between 1992 and 2000, only three of 588 participating jurisdictions (PJs) chose to allocate the entire five percent of their HOME allocation to community housing development organizations. The three PJs are Lakeland, FL; Snohomish County, WA; and Kenosha, WI. Only four percent of PJs (25) allocated above four percent. Fifty-one percent (299) did not allocate any funding for CHDO capacity building. No data is available for CDBG allocations for technical assistance for nonprofits. However, CDCs report similar inability to access such funding. HOME does have a set-aside of fifteen percent for project development by CHDOs, but this does not include administrative funding. The block grant allocations of CDBG and HOME do not provide technical assistance to nonprofits. Even when the law was changed to encourage it, funds were still not allocated to T.A. for nonprofits through the block grant. Congress occasionally provided small pots of T.A. funds through HOME, HOME CHDO TA, or CDBG but it has varied dramatically by year and is highly competitive.

National Community Development Initiative. NCDI, now called Living Communities, is a collaborative of foundations and private sector corporations. NCDI began in 1991 as an effort to increase the capital available to community development corporations by pooling more funding than any one philanthropic or private sector resource could be expected to provide. The U.S. Department of Housing and Urban Development joined NCDI in 1994. Under Section Four, Congress supported NCDI with three grants ($20 million in 1994, $10 million in 1996, and $20 million in 2001).

NCDI has been very successful in the communities in which it operates. It has been a reliable resource. However, it is limited to locations served by The Local Initiative Support Corporation (LISC) and The Enterprise Foundation. In NCDI Funding Cycle years, the funding is limited to 23 cities supported by the Collaborative. Any funding decision requires a collaborative process among all partners. The partners meet infrequently and decisions are made by consensus for a limited number of cities.

Section Four: Congress has chosen to provide about $124 million for technical assistance to CDCs through four national intermediaries: LISC, The Enterprise Foundation, Habitat for Humanity, and Youthbuild. These groups use the funds to work with affiliated organizations in the communities they serve. The intermediaries provide grants to CDCs for capacity building, local funding collaboratives, technical assistance, and training, primarily to increase housing.

Rural Community Development Initiative (RCDI). The purpose of the RCDI is to provide technical assistance to nonprofit organizations, low-income communities, and federally-recognized tribes located in rural areas to allow them to increase their capacity to undertake housing, community facility, and community and economic development projects. Like NCDI, all of the funding is provided to intermediaries. Congress appropriated $6 million in FY 2002 for the Rural Community Development Initiative, and $10 million in funding has been proposed for FY 2003. RCDI grants are made to an intermediary (a private or public organization), which provides technical assistance to grant recipients. Technical assistance can include various trainings, assistance with strategic plan development, access to alternative funding sources, and use of effective fundraising techniques. The minimum grant request is $50,000, with a maximum of $1 million. Matching funds generated by the grantee must be no less than the grant amount. It is too soon to comment on the impact of this new initiative.

Other agencies. Other agencies that provide training funds include the Economic Development Administration (EDA), Federal Emergency Management Assistance (FEMA), the Community Development Financial Institutions Fund (CDFI), and the Office of Community Services (OCS). EDA and FEMA funds are focused on training and tend to be very difficult for nonprofits to access. For example, FEMA released a request for bids to provide technical assistance to community and faith-based organizations for disaster mitigation and then ruled that only for-profit firms were eligible for funding. OCS and CDFI funds tend to be more technical assistance oriented and provide direct assistance to intermediaries to help community groups. Both OCS and CDFI funds are small resulting in a highly competitive process to receive assistance. CEDA is rare in that it provides funds directly to community groups for their priorities.

H.R. 3974 is different from those mentioned above in that it provides a critical resource for technical assistance specifically linked to the organization's project development goals. The funding would flow primarily to organizations' directly, not through a national or regional intermediary. The technical assistance would have the duration of the actual project or goal of the CDC. It would be provided in the CDC's office, not a hotel or university meeting room. The training is a one-on-one mentoring process that is specifically tied to implementation.

Most government technical assistance is primarily training on specific topics already selected by the training providers at the request of the government. These trainings tend to be short-term (a day or a week long) and classroom based. About half of CDC directors attend training on topics such as real estate development, property/asset management, strategic/business planning, organizational development, financial management, Personnel/human resource management, and fund raising. Training is provided by national, state, and regional organizations. At the national level, these include Development Training Institute, The Enterprise Foundation, Local Initiative Support Corporation, McAuley Institute, Tonya, and the National Congress for Community

Economic Development. A number of state and city community development associations provide training to member CDCs.

While both training and technical assistance are very much needed, training is available more often than technical assistance. Very few organizations offer project-specific long-term technical assistance. The Community Economic Development Expertise Enhancement Act (CEDA) meets this need.

What is the impact of technical assistance investments in CDCs?

Investments in technical assistance improve CDCs' production capacity. T.A. expands the types of development CDCs undertake and their ability to manage complex projects. T.A. results in greater production from vibrant durable organizations. Technical assistance and capacity building to CDCs ensures quality projects and compliance with grantmaker requirements and community needs. The best impact of investments made in CDCs are the figures mentioned at the beginning of this testimony: CDCs built 550,000 homes and apartments, produced 71 million square feet of commercial and industrial space, loaned $1.9 billion to 59,000 businesses, and created 247,000 private sector jobs. With adequate technical assistance, those numbers would be even greater.

Increases in production include the number of housing units, loans made, jobs created, taxes paid, poverty level reduced, businesses and families assisted or decreases in poverty factors. Durable institutions have improved management systems, better-trained board members and staff, and stronger alliances with the private, public, and philanthropic sectors.[iii] Durable organizations can also meet the demands of residents and other sectors of their community by undertaking broader activities including community building and social services and other resident identified needs such as health care, education, crime prevention, and elder care.

Chairwoman Roukema and Subcommittee members, this concludes my testimony. I thank you for the opportunity to appear before you today to thank you for focusing on the national benefits that community development corporations offer and to express our strong support for H.R. 3974, The Community Economic Development Expertise Enhancement Act.

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[i] *Coming of Age.* Washington, D.C.: National Congress for Community Economic Development and Urban Institute, 1999.
[ii] Building Capacity in Nonprofit Organizations. Carol J. Devita and Cory Fleming. Washington, D.C.: The Urban Institute. 2001.
[iii] *Community Development in the 1990s.* Christopher Walker and Mark Weinheimer. Washington, D.C.: The Urban Institute. 1998.

CURRICULUM VITAE

ABDUL SM RASHEED

Strong background and experience in building, brokering and managing relationships with public and private investors. Demonstrated success in building organizations (corporations) leading them through incorporation, start up activities, program planning, staffing, resource development. Built both grant making and lending systems for statewide distribution.

Present Position

Founding President and Chief Executive Officer
North Carolina Community Development Initiative

The Initiative, which was established in 1994, is an intermediary that channels funding (grants and loans) and provides training, technical assistance and other services to community development corporations (CDCs) in North Carolina, especially 22 high-performing CDCs. The Initiative itself has received major funding from private foundations, such as Z. Smith Reynolds and Ford, as well as the North Carolina General Assembly, financial institutions, and other private sector sources. The Initiative has leveraged its resources into more than $252 million of completed local development in its first eight years.

In addition to managing a carefully chosen and highly productive staff, Mr. Rasheed maintains relationships with funders and major constituencies, develops long-term goals, guides grant and loan decisions, creates innovative relationships with financial institutions, seeks ways the Initiative can broaden its assistance to the CDC industry, serves as a spokesman on many occasions for the industry in North Carolina, participates in conferences and collaborative efforts throughout the nation, works closely with government officials and legislative leaders, and serves on boards and as an officer of key organizations in the CDC industry.

Mr. Rasheed has proved to be particularly effective in building, brokering and managing relationships with public and private sector stakeholders at both the state and national levels. The accomplishments of the CDC movement in North Carolina are a result, in large measure, of his successful efforts to create private-sector partnerships that have resulted in strong commitments to community economic development and significant, continuing investments in the state's low-wealth communities.

As Chairman of the National Congress of Community Economic Development, Mr. Rasheed is now using his ability to create investors and stakeholders to the advantage of the national CDC community.

Leadership Positions

* Chairman, National Congress of Community Economic Development
* Chairman, Richmond Federal Reserve Community Development Advisory Committee
* Board Member, Gateway Community Development Credit Union
* Chairman, Center for Community Self-Help
* Trustee, Vance Granville Community College
* Board Member, North Carolina Community College System Foundation
* Member, North Carolina Hurricane Commission
* Advisory Board Member, Federal Home Loan Bank of Atlanta
* Board Member, Elizabeth City State University Foundation

Education

Mr. Rasheed attended public school in Henderson, North Carolina and graduated from Elizabeth City State University. He received the Master of Education degree from Trenton State College in New Jersey and the Master of Science in Community Economic Development degree from New Hampshire College. Mr. Rasheed was selected a national Fannie Mae Fellow and completed the Senior Executive Program at the J. F. Kennedy School of Government Harvard University July 2000.

Personal Information

Mr. Rasheed is a native of Henderson, North Carolina, where he and his wife Marolyn still reside. The couple has four children.

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Testimony of Michael Swack
Community Economic Development Enhancement Act of 2002 (HR 3974)
Subcommittee on Housing And Community Opportunity
Financial Services Committee
September 17, 2002
2128 Rayburn Office Building

Honorable Committee Members, thank you for inviting me to testify in front of your committee on the Community Economic Development Enhancement Act of 2002. I am currently the Director of the School of Community Economic Development at Southern New Hampshire University, a position I have held for the past 20 years. The School of Community Economic Development is, as far as I know, the only School in the country that offers both masters and doctoral degrees specifically in the discipline of community economic development. I wish to share with you, briefly, the perspective I have gained as an educator and practitioner in the field of Community Economic Development and then respond to the questions you have posed with respect to the proposed legislation, HR 3974.

The School of Community Economic Development at Southern New Hampshire University serves adult practitioners working in the field of community economic development. Most of our students work for private, non-profit community development organizations. Students enrolled in our masters degree program attend classes 3 days per month over a period of 2 years. They commute from all over the country. The average age of our students is 37 years old, and they range in age from their mid- twenties to early sixties. We accept about 50 new students per year in our weekend masters program. Over the past 20 years we have graduated close to 1000 students. Over half of our students have been African American, Latino or Native American. An independent survey of our graduates conducted in the year 2000 revealed that over 90% of our graduates have remained working in the field of community economic development since graduating from our school.

The mission of the School of Community Economic Development is to provide education and training to a diverse group of community economic development practitioners, policy makers and community leaders and equip them with the knowledge, skills, tools and techniques to have the greatest impact in improving the economic and social well-being of their communities. We define community economic development as:

- A strategy for people to develop the economies of their communities while providing benefits for community residents.
- A systematic and planned intervention promoting economic self-reliance, focusing on issues of local ownership and the capacity of local people
- A program for helping consumers become producers, users become providers and employees become owners of economic enterprises.
- A method of building efficient, self-sustaining and locally controlled initiatives that support profitable ventures and effective social programs.

- A commitment to working within the context of a community's social and cultural values.

Our curriculum is unique. It is a "business school" type curriculum but the materials, cases and readings are specifically geared for people working in the community economic development sector. Students are required to take courses in accounting, financial management, business development, financing community economic development and organizational management. Over a third of the credits they earn in the program are through the design and implementation of a project, carried out in their home communities. Faculty and staff provide technical assistance to the projects and students are part of a project group of peers who are often working on similar projects in their own communities. A number of elective classes are offered in areas such as housing and real estate, marketing, negotiation strategies, and microenterprise development. Students are also required to submit work on-line and participate in on-line activities. Faculty members are not just academics – all have experience working in the field as well.

People apply to our program because they want to become more effective practitioners - this is what they tell us in the personal statements they write when they apply to our School. They also tell us they are committed to working in the field of community economic development because they want to improve the quality of life in their communities – urban, rural and tribal reservations.

What we have learned over the past 20 years is that education works. This is not surprising. As Americans, we have a strong belief that education can build skills and improve the quality of life for our people. Our model, which combines class room learning, peer support and practical application of skills in the students' home communities has enhanced practitioner effectiveness. People have developed practical skills, built leadership skills, developed contacts and networks and have used these skills and networks to build more effective organizations –organizations better able to develop projects, build housing, leverage financial resources, innovate and sustain themselves. Our model is not the only effective training model in the field today. There are other initiatives aimed a building the "human capital" in our field and many have also been effective.

So how will this legislation help build the field of Community Economic Development? The letter from Chairman Roukema, inviting me to testify, poses all the right questions and they are not easy questions to answer. I will try to briefly address these questions.

The questions posed: Why do we need a program like the one contemplated in HR 3974, since the Federal Government currently spends billions of dollars on community renewal and revitalization programs? What tangible results can we expect from such a program? How should groups be selected for funding? How have the challenges facing the CDC industry changed over the years? What approaches are required to help communities rebuild?

Most programs funded by the Federal Government fund "projects". However, if local communities don't have the **skills** to develop and manage projects they won't have access to the funds. Building the capacity of local people and local organizations is key to the development process. Without proper skills and leadership, community organizations either don't access funds, or if they do, the projects they develop either fail altogether or fail to serve community members in need. Funders have frequently resisted funding activities that build organizations. They don't like to pay for salaries or education. They want "concrete" projects – literally. In fact we need funds for both concrete and human needs if we really want to build communities. Physical and human capital are both important. H.R. 3974 recognizes this need.

In order to access funds an organization should be able to present a clear business plan with goals and objectives. Funding should be tied to achieving goals and objectives. The CDFI Fund at the Department of Treasury, among others, has developed a good process for the type of evaluation. Funds should also be used to provide education and training to younger, less experienced groups so that they can develop these plans. Smaller amounts of funds should be made available to younger, "emerging" community organizations, particularly ones serving communities not served by other organizations. The legislation should also fund educational and training initiatives that are substantial, rigorous and well-designed. Educational and training funds should allow for a range of different providers and initiatives that can serve different constituencies and different regions.

The CDC industry has changed over the past 20 years. Although still asked to blend economic and social goals, CDCs now need to be much more sophisticated organizationally and financially in order to succeed. Deals for housing and business development are often very complex. Over the past two years, the School of CED has sponsored the Financial Innovations Roundtable (www.finir.org). The purpose of this Roundtable is to develop concrete ideas that link conventional and non-conventional lenders, investors and markets in order to provide increased access to capital and financial services in low-income communities. Members of the Roundtable include representatives from banks, investment firms, CDCs, CDFIs, foundations and government agencies. A number of innovations have come from the activities of the Roundtable. One thing the Roundtable has made clear. If we are to move community development to the broader capital markets, we need community development practitioners to develop the skills, knowledge and tools appropriate to the task. CDCs need a stronger skill base now than they did 20 years ago. Investment in education, training and technical assistance will enhance and protect the financial investments that need to be made. Using funds to build indigenous CED leadership in low-income communities is vital.

I believe that the proposed legislation, HR 3974, or some variant of it, can make an important contribution to building the capacity of CED practitioners. It will help build stronger, more stable community organizations, better able to develop viable projects, get them financed and improve the quality of life in poor communities. Thank you.

Southern New Hampshire University
School of Community Economic Development
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Michael Swack

Education

Columbia University - 1990, doctorate

Harvard University - 1979, masters

University of Wisconsin – 1975, bachelors

Experience

1981-Present

Southern New Hampshire University

School of Community Economic Development

Manchester, New Hampshire

Director –School of Community Economic Development. Director of the only School in the United States offering graduate and post graduate degree's specifically in Community Economic Development (CED). The School's programs are designed for adult practitioners. The Director is responsible for program development, curriculum, staff management and budget. The School of CED has has four components:

1. An academic program in Community Economic Development offering a master's degree in two program formats, national and international.

2. An academic program in Community Economic Development offering a doctoral degree.

3. A series of Institutes and Roundtables including: the Microenterprise Development Institute offered for 3 weeks each June; the CDCU Institute in a partnership with the National Federation of Community Development Credit Unions offered two weeks each year in April & October; and the Financial Innovations Roundtable, a semiannual symposium presenting research and discussion on financial innovations for CED.

4. An affiliated non-profit, The Center for Community Economic Development which provides technical assistance and develops CED models for replication.

Professional Affiliations

1983-Present **NH Community Loan Fund** **Concord, NH**

Founding Member and First President

- a non-profit development finance organization serving NH communities
- provides capital and technical assistance to community-based efforts
- permanent home of Working Capital Regionally
- organizes low-income people to engage in the economic process

Designed, implemented and provided administrative oversight of a distance learning training for the North Carolina Community Development Initiative

Designed, implemented and provided administrative oversight of a Black Church Initiative for the New Orleans Foundation in Louisiana

Served as a member of the Business Advisory Council for the Federal Reserve Bank/ Boston

Has worked extensively as a consultant and trainer with the following list of clients:

- Department of Development, State of Ohio
- City of Philadelphia, PA
- North Caroline Community Development Initiative
- Puerto Rican Youth Entrepreneurship Project
- Youth Enterprise Development Project, Boston, MA
- Department of Labor, Government of Belize
- Citibank/ Puerto Rico
- Greater New Orleans Foundation
- Local Initiative Support Corporation

Training Topics Included:

- financing community economic development
- business development and entrepreneurship
- cooperative development and management
- faith based community economic development
- development training and education
- developing affordable housing networks
- youth entrepreneurship

RESEARCH & PUBLICATIONS
(partial listing)

"Social Financing in the Housing Sector", in Stone, Social Housing, Philadelphia: Temple University Press, forthcoming

"Community Economic Development" An Overview of the U.S. Experience", in Community Economic Development: Perspectives on Research and Practice, Galaway, B. ed. Toronto: Thompson Educational Publishing, 1994

"Capital Needs and the Cooperative Sector in Atlantic Canada", Published by Co-Op Atlantic 1992

"A Evaluation of 3 Refugee Loan Funds in the U.S." Evaluated loan funds and other finance mechanisms as appropriate tools for development in refugee communities . Ford Foundation, 1992.

1980-1995 **The Institue for Community Economics** **MA**

Past President & Board Member

- provides assistance to community land trusts and loan funds
- served as member of administrative committee reviewing all loans
- performed financial and economic analysis of all loan proposals
- ICE is a 20 million dollar revolving loan fund

1986-Present **NH Community Development Finance Authority**

Former Chairman/Current Board Member

- drafted legislation to create the CDFA
- A 50 million dollar state chartered venture capital firm
- appointed by the Governor to sit on the first board of directors

1990–1994 **Federal Home Loan Bank** **Boston, MA**

Past Board Member Advisory Council

- Congressionally mandated member of housing advisory board of bank
- developed policies to promote lending for affordable housing initiatives in the region.

Current **The Center for Community Economic Development**

President & CEO

- a non-profit organization affiliated with Southern New Hampshire University
- incubates innovative CED programs
- provides technical assistance and training in outside locations
- advances, promotes and disseminates practical knowledge and skills

Experience Highlights Full Professor of Community Economic Development teaching the following courses:

-Introduction to Community Economic Development

-Financing Community Economic Development

- Negotiation Strategies

Incubated the Working Capital Model which spun off nationally, a peer lending model operating in 27 states providing capital to low-income groups

U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

September 17, 2002

The Honorable David M. Walker
Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

This is a follow-up request to an earlier correspondence dated July 12, 2001, asking the Government Accounting Office (GAO) to conduct a review of technical assistance and capacity building programs at the Department of Housing and Urban Development.

We appreciate your work to date on the Department of Housing and Urban Development's (HUD) technical assistance and capacity building programs. We would like to expand the July 12 request and ask the GAO to conduct an assessment of the Section 4 capacity building programs within HUD. Your assessment should include, but not be limited to, the following questions:

- What programs has Congress authorized for section 4 assistance? How much has Congress authorized each year for each program and how has the program changed since its inception?
- What sources of funds, both inside and outside of HUD, are used to supplement the section 4 funds authorized by Congress? How are these efforts coordinated within and monitored by the Department?
- What is the difference between NCDI and non-NCDI? How does HUD ensure that the NCDI intermediaries meet the leveraging requirement?
- How does HUD measure the impact of section 4 programs?

The Honorable David M. Walker
September 17, 2002
Page Two

- To what extent is the private sector involved in assisting community-based development organizations and in meeting HUD's community development goals. Please provide information on the level of funding from private sector sources.

- How important is federal funding to private sector participation in community development initiatives?

This additional information will allow us to properly assess the needs and benefits of technical assistance and capacity building funds. Thank you for your assistance on this important examination of these programs and I look forward to receiving your analysis.

Sincerely,

Sue Kelly

Sue W. Kelly
Chair
Subcommittee on Oversight and Investigations

Marge Roukema

Marge Roukema
Chair
Subcommittee on Housing and Community Opportunity

J.C. WATTS, JR.
4TH DISTRICT, OKLAHOMA

CHAIRMAN,
HOUSE REPUBLICAN CONFERENCE

COMMITTEES:
ARMED SERVICES
SUBCOMMITTEE ON MILITARY PERSONNEL
SUBCOMMITTEE ON MILITARY PROCUREMENT
PANEL ON MORALE,
WELFARE AND RECREATION

Congress of the United States
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CONGRESSMAN J.C. WATTS, JR.
Chairman, House Republican Conference
Testimony before the Subcommittee on Housing and Community Opportunity
September 17, 2002

Thank you, Chairman Roukema, and thank you for the opportunity to testify today before the subcommittee on this important bi-partisan legislation, H.R. 3974, the Community Economic Development Expertise Enhancement Act of 2002, that I was privileged to introduce with my friend and colleague, the lead sponsor, Congresswoman Stephanie Tubbs Jones who has been a leader in Congress in many fields, but most importantly in advancing community development issues.

Before I begin my testimony, I would also like to take this opportunity to commend and congratulate you, Chairman Roukema, on your distinguished public service to this nation for over two decades here in the Congress. You will leave behind a record of achievement for the American people that you should be very proud of. We are, and we thank you for your hard work, commitment and effectiveness over these years.

Madame Chair and distinguished Members, when I was first elected to Congress in 1994, one of the first goals I set for myself was to find a way for the federal government to reach out more effectively to those communities that had been bypassed by the nation's growing prosperity.

In 1995, I was privileged to join with Congressman Floyd Flake of New York and Jim Talent of Missouri in introducing the American Community Renewal Act. After Congressman Flake's retirement, we were joined by Congressman Danny Davis of Chicago in fighting for this legislation to bring opportunity and renewal to some of the poorest places in America -- both urban and rural.

In December of 2000 President Clinton signed our legislation into law creating forty new Renewal Communities, expanding the number of Empowerment Zones and enacting the President's New Markets Initiative.

One of the goals of that comprehensive legislation was to give new tools to the thousands of individuals who work every day, on the ground, in the neighborhood, feeding the hungry, housing the homeless, counseling the addicted, and working to bring jobs and and economic opportunity to the least advantaged.

These dedicated individuals work in the neighborhoods where vacant properties become home to crack users who destroy the sense of safety and security that a community needs to grow and prosper; the neighborhoods where potential business sites are neglected because of the cost of environmental clean up; the neighborhoods where a long and expensive public transit ride is the only way to get to the new jobs in the prosperous suburbs.

Last year, the Department of Housing and Urban Development named the new Renewal Communities and Empowerment Zones, and regulations have been established governing the New Markets Initiative. These new tools for economic renewal are arriving in dozens of communities across the nation.

The legislation that Congresswoman Tubbs Jones and I propose takes us to the next step. Providing a man or a woman a tool without training them how to use it is a useless gesture. Just as there is no sense in giving a school free computers, if no one knows how to teach the children how to use them, then there is no sense in providing development incentives to a community if no one knows how to implement them.

We need to help the individuals who work in these communities in confronting the challenges of building their organizations, understanding the new laws, and rebuilding their neighborhoods. We need to provide them access to appropriate technical assistance resources and advance their skill sets so that they can optimize the government's commitments to these communities.

H.R. 3964 accomplishes this by providing funding to enhance the capabilities of nonprofit, nongovernmental and faith-based organizations involved in community-based economic development activities. The legislation establishes educational programs and increases access to professional expertise. The legislation will allow us to maximize the use of the new federal tax incentives and leverage greater private sector investment in these hard-pressed communities.

Before introducing the American Community Renewal Act in 1995, I had the opportunity to travel across the country and visit hundreds of committed individuals who daily face the challenges of fighting poverty in all its ugly aspects. One of the lasting impressions of those visits was the fact that these men and women do so much with so little. Every day they perform small miracles with volunteer staffs and small budgets that advance their communities one step at a time.

I can promise the subcommittee that the support and assistance and education provided in HR 3964 will go a long, long way in growing these miracles. This legislation will help these devoted individuals who bring help and hope and empowerment to our poorest citizens and communities, and I am privileged to bring this initiative to the subcommittee's attention and to work with Congresswoman Tubbs Jones in addressing this important challenge. Thank you.

*   *   *

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January 6, 2003

The Honorable Stephanie Tubbs-Jones (D-OH)
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Attn: Janice Zarnardi

Re: LISC's Response to September 17 Hearing Questions

Dear Congresswoman Tubbs-Jones:

Thank you for giving the Local Initiatives Support Corporation (LISC) the opportunity to testify before the Subcommittee on Housing and Community Development on September 17,2002. Enclosed is LISC's response to the Subcommittee's follow-up questions in connection with the hearing. As we indicated in our testimony and in the enclosed response, Section 4 Capacity Building funds are extremely valuable and productive in increasing the capacity of community development corporations (CDCs) to produce housing and other economic development projects and to leverage private capital.

To date LISC has used these funds nationally to directly assist 485 CDCs in 42 states and the District of Columbia. Combined with other resources, CDCs have produced more than 22,000 affordable homes and 2.6 million square feet of economic development facilities including retail, industrial, office, child care, health care and educational space. As a result, many CDCs are stronger organizations, more strategically focused, more productive and more effective in using government funds.

If after reading the enclosed response you should have any questions, please don't hesitate to contact my colleague Michael Tang in the National LISC office. He can be reached at (212) 4: 5-9369 or mtang@liscnet.org.

Regards,

Greta J. Harris
Senior Program Director
Richmond LISC

/enclosure

LISC's Responses to Follow-up Questions from Congresswoman Stephanie Tubbs-Jones in Connection with the Hearing on Technical Assistance and Capacity Building Programs to Promote Housing and Economic Development

Introduction

We appreciate the opportunity to provide information on the ways in which we have used Section 4 funds to assist nonprofit community development corporations (CDCs) in building their organizational and program delivery capacities. In our experience, capacity building is a necessary and highly productive investment in revitalizing our nation's most distressed urban and rural communities. We begin this response with a brief summary, and then reply to your questions in further detail in the pages that follow.

LISC's Use of Section 4

- **Funding Levels**: From FY 1994 through FY 2002, LISC has received $72.5 million in Section 4 funds. This is the total for all LISC program areas, urban and rural, NCDI and non-NCDI. Based on the four-year workplans approved by HUD for each award, we will provide 76 percent of these funds (over $54 million) as pass-through grants to CDCs. In addition, $14.6 million (20 percent) has been allocated for the provision of direct technical assistance and training to CDCs. The remaining $3 million (4 percent) is earmarked for administration.

- **How CDCs have used the Section 4 Grant Funds**: We have made Section 4 grant funds available to address a wide range of capacity issues. CDCs commonly use these funds for core operating support, expanded staffing capacity (e.g., in real estate development or in financial management), strengthening management systems (e.g., information technology), staff development (e.g., training scholarships), and obtaining technical assistance. To date, LISC has committed 1,191 grants totaling $37,865,764 to 485 CDCs in 42 states and the District of Columbia, with the remainder to be awarded in accordance with four-year workplans now underway. The average grant amount is $31,700.

- **How LISC provides technical assistance**: As noted directly above, CDCs frequently use Section 4 awards from LISC to secure outside consulting/technical assistance. In addition, LISC has used Section 4 funds to provide direct technical assistance and training by our staff or by consultants we retain. When we provide support, whether it is in the form of a grant, training and/or technical assistance, it is based on an assessment of what the recipient wants and needs to accomplish and what LISC can supply to help the CDC achieve it.

- **How CDCs are selected**: With 38 local offices and a rural program serving CDCs in 39 states, LISC has worked with more than 2,000 CDCs across the country. Briefly stated we look for groups that possess (or are striving toward establishing) strong staff and board management, a solid track record, good management systems, sound financial condition, and a vision and strategy for their community that can mobilize both residents and outsiders around a long-term revitalization plan.

Question 9: The Committee is very interested in differentiating between technical assistance grants to CDCs (used to buy technical assistance) and project or development grants. In addition, we would like to know how much of the technical assistance provided to CDCs relates to improving their capacity to use other products provided by the intermediaries rather than building the capacity themselves? For example, we understand that LISC provides technical assistance on developing low income tax credit projects that are sold through LISC's affiliate, the National Equity Fund. Other examples include LISC applying for a New Markets Tax Credit allocation that it plans to market through its members or using USDA's Intermediary Relending Program. Is the current system designed to expand the financial capacity of the intermediaries and, in effect, develop local CDCs as their marketing group?

LISC uses Section 4 funds to provide a range of capacity building assistance to CDCs, including:

- Capacity building grants to CDCs for:
  - core operating support,
  - expanded staff capacity in a specific program area (e.g., real estate development) or management area (e.g., financial management),
  - strengthen management systems (e.g., information technology),
  - strategic planning,
  - staff development (e.g., training scholarships), or
  - retaining outside expertise;
- Training and technical assistance either directly or through a blanket contract with a TA provider where it is more cost-effective to do so.

We generally use Section 4 funds for broader capacity building uses, rather than for project development. As such LISC has directly passed on to CDCs in the form of grants, 76 percent of funds we have received from the Section 4 program (Non-NCDI and NCDI). Of the remaining balance, 20 percent is used to provide technical assistance and training and 4 percent for administration.

CDCs use the capacity building assistance LISC provides to expand their capabilities, typically resulting in specific projects and programs benefiting low-income communities. Developing projects does require CDCs to obtain financing, and LISC provides financing as an important service to those CDCs that wish to use it. In general, we do not provide financing that is routinely available from banks, since we want to use our limited resources to add maximum value, and encourage conventional financing sources and CDCs to work together directly. Instead, we generally provide CDCs with high-risk predevelopment financing and equity investments. We provide this financing on the best terms possible, and LISC is usually the most attractive source available to a CDC.

However, we always encourage each CDC to obtain the most advantageous financing from any source, whether LISC or another provider. LISC never uses Section 4 funds to generate demand for other LISC resources on an exclusive basis, nor is use of other LISC resources in any sense a requirement for a CDC to receive Section 4 funds.

LISC was created to serve CDCs and their needs. Our mission has not changed. We have developed certain products and services over the years in response to CDC demand. CDCs use these products and services because they choose to, and because they have found them to be useful and cost effective.

Questions 10: The intermediaries testified that recipients of Section 4 federal dollars are those CDCs that partner with LISC, Enterprise Foundation, and Living Cities. How does a CDC become a partner? Is it a competitive process? Are there certain characteristics that partner organizations must possess (i.e., is any CDC eligible to compete?)? What are they? How many CDCs are competing for these funds?

Over the past 20 years, LISC has worked with more than 2,000 CDCs across the country resulting in more than 121,000 homes and 18 million square feet of economic development projects (e.g., commercial, retail, community facilities). As our name suggests, local program delivery and local oversight are critical to our efforts to enhance CDCs' productivity and organizational capacities and to ensure accountability for the use of resources we provide. We operate through 38 local offices across the country with staff on the ground and local oversight provided by "local advisory committees," that include funders and often public agencies, experts and the CDCs themselves. We provide direct support (i.e., grant funding, technical assistance, training) to CDCs based in the communities served by our local offices. The one exception to this is our Rural LISC program, which operates nationally and works on a regional basis with CDC partners in 39 states that were selected through a formal application process.

When a CDC based in one of our local program areas reaches out to us (or we introduce ourselves to them), our local staff begin a process of getting to know the organization through discussions with staff and board, review of organizational documents and past accomplishments, as well as through the CDC's expressed needs and preferences. The standards we use to determine whether and how we work with a CDC are not absolute, but rather are geared to the requirements of the organization in light of its prior activities and future agenda. In summary, we typically look for CDCs with a vision for the community that will galvanize and motivate residents and outsiders; a community revitalization strategy that reflects community concerns and opportunities and lays out concrete steps to address them; a solid track record in managing and executing projects including procedures to monitor progress; strong managerial and board leadership; good management systems to support successful program operations; and a sound financial condition including a diversified funding base. If we believe a group's approach is fundamentally sound and that it possesses the potential to meet these characteristics, we typically begin an active relationship with them.

Some of the support we provide is available on an "open window" basis, that is, in response to the challenges or opportunities a CDC is facing at the moment. Larger grants or those provided through more structured programs – such as those that provide multi-year operating support – are typically awarded through a competitive, request for proposals process open broadly to CDCs in a community. In the case of multi-year operating support programs, CDCs typically undergo a formal assessment process to target the organizational practices and skills they need to develop further, with subsequent funding awards dependent on their progress in achieving those targets.

These operating support programs share several common features and advantages, including: (1) a collaborative funding approach where multiple funders (public and private) come together to provide organizational development resources on a multi-year basis within an integrated program framework; (2) a competitive process for selecting CDCs; (3) the use of formal organizational assessments to identify areas where CDCs' practices can be strengthened; and (4) an outcomes-based funding approach where subsequent year funding depends upon the achievement of organizational and programmatic milestones set as a part of the assessment process.

According to a recent evaluation prepared by the Urban Institute in Washington for Living Cities: the National Community Development Initiative, an ongoing collaborative effort of philanthropies, financial institutions and the US Department of Housing and Urban Development to elevate community development: "The creation of new capacity-building systems using intermediaries in key roles radically improved the [former ad hoc] situation. The new systems enabled funders to collaborate on operating support. The systems demanded organizational improvements by CDCs in return for operating support and helped groups diagnose areas in need of improvement. They provided access to technical aid and monitored whether or not performance benchmarks were met. The net result was to give funders much more assurance that their money would be well-spent."[1]

Such operating support programs have prospered in many LISC sites including Boston, Cincinnati, Cleveland, Detroit, Hartford, Houston, Kansas City, Los Angeles, Miami, Milwaukee, New York City, Philadelphia, Rhode Island, Richmond, VA, San Francisco, Seattle, Toledo, Minneapolis and St. Paul, and Washington, DC. In Washington State, the state government recognized the value added of the Seattle operating support collaborative and is now funding the collaborative to assist CDCs statewide.

[1] Forthcoming, The Urban Institute, *Community Development Corporations and their Changing Support Systems*. Draft Report, March 2002, page 41.

Attachment B

All Section 4 Capacity Building Grants by State

State	Total Amount	Highest	Lowest	Average	No. of Awards	No. of CDCs
AL	156,014	40,000	5,000	19,502	8	2
AR	641,152	53,293	4,835	27,876	23	14
AZ	2,034,837	128,000	1,494	27,498	74	20
CA	3,311,402	130,000	1,239	33,114	100	39
CO	243,201	49,423	6,500	20,267	12	2
CT	410,922	150,000	3,550	41,092	10	9
DC	1,828,985	80,000	2,000	32,660	56	14
FL	2,073,872	282,000	2,000	32,919	63	31
HI	142,000	25,000	10,000	15,778	9	2
IA	67,260	25,000	12,000	16,815	4	1
IL	2,154,753	130,000	5,000	30,349	71	24
IN	1,668,669	96,000	400	18,962	88	36
KS	358,641	95,150	10,800	35,864	10	4
KY	220,562	36,000	1,766	16,966	13	5
LA	1,129,246	111,685	2,000	31,368	36	23
MA	1,546,025	200,000	3,000	32,894	47	24
MD	118,800	25,000	10,800	16,971	7	2
ME	98,800	25,000	10,800	16,467	6	1
MI	2,657,930	100,000	462	22,149	120	46
MN	2,160,991	96,628	3,000	34,855	62	30
MO	2,158,216	182,050	3,900	42,316	51	19
MS	340,800	75,000	5,000	37,867	9	6
MT	118,800	25,000	10,800	19,800	6	1
NC	240,013	88,950	15,000	26,668	9	4
NE	68,800	25,000	10,800	17,200	4	1
NH	150,800	25,000	8,200	15,080	10	2
NJ	1,540,102	199,905	530	36,669	42	18
NM	248,600	48,000	5,000	19,123	13	3
NV	472,981	100,135	18,372	67,569	7	4
NY	2,101,038	110,000	7,500	51,245	41	15
OH	960,300	200,000	10,000	45,729	21	12
OK	48,800	23,000	10,800	16,267	3	1

Attachment B

All Section 4 Capacity Building Grants by State

State	Total Amount	Highest	Lowest	Average	No. of Awards	No. of CDCs
OR	166,300	25,000	3,000	15,118	11	2
PA	2,131,441	300,000	2,000	56,091	38	19
RI	500,000	250,000	125,000	166,667	3	3
SC	127,600	25,000	10,800	15,950	8	2
SD	105,832	25,000	7,800	15,119	7	1
TX	768,797	62,500	4,000	33,426	23	12
VA	672,967	200,000	4,167	48,069	14	10
VT	48,800	23,000	10,800	16,267	3	1
VW	78,000	25,000	5,000	15,600	5	1
WA	1,374,313	100,000	6,200	50,900	27	11
WI	418,400	50,000	7,800	24,612	17	8
Total	**37,865,764**	**300,000**	**400**	**31,793**	**1,191**	**485**

THE ENTERPRISE FOUNDATION

November 13, 2002

The Honorable Stephanie Tubbs Jones
1516 Longworth House Office Building
Washington, D.C. 20515

Dear Representative Tubbs Jones:

Congratulations on your re-election.

Enclosed please find The Enterprise Foundation's answers to your follow-up questions to the House Subcommittee on Housing and Community Opportunity hearing entitled "Technical Assistance and Capacity Building Programs to Promote Housing and Economic Development" on September 17, 2002. Also enclosed is a background paper on Enterprise, the National Community Development Initiative and the Section 4 capacity building program, which I hope will provide some helpful context for our answers.

We greatly appreciate your interest in and strong support for programs to strengthen community-based organizations. Enterprise shares your commitment to empowering grassroots groups so they can achieve even more remarkable results than they have to date.

As we testified at the hearing, and as our enclosed responses to your questions detail, we believe the Section 4 initiative is one of the most effective ways to achieve our shared goals. Independent evaluations, referenced in our responses, have shown Section 4's success. We expect the forthcoming General Accounting Office review of the program will produce similar findings, which will help us advocate greater federal support for community group capacity building.

When the 107th Congress finally adjourns, I would welcome the opportunity to update you on our work with grassroots groups in Cleveland. I have enclosed a recent *Plain Dealer* article on Enterprise's activities there.

Best regards.

Sincerely,

F. Barton Harvey

F. Barton Harvey III
Chairman of the Board
and Chief Executive Officer

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MONDAY, AUGUST 12, 2002 | SECTION B

METRO

THE PLAIN DEALER

A dream fulfilled: Decent place to live

ANGELA D. CHATMAN
Plain Dealer Reporter

Yolanda VanHorn had not heard of the Enterprise Foundation until this spring, when it featured her daughter's drawing on a poster celebrating its $105 million investment in affordable housing in Cleveland.

But the quietly influential, Maryland-based foundation that sponsored the poster contest is a major reason her family and thousands of others here and around the country have attractive housing that is within their budgets.

The Enterprise Foundation, which is celebrating its 20th anniversary this year, works behind the scenes with local housing groups, helping finance new development for low-income people.

That includes the two groups that brought about the construction of the nearly new three-bedroom, two-bathroom house that VanHorn shares with her daughter Diana, 10, and son Darius, 6, in Cleveland's Buckeye neighborhood. The construction financing that the foundation arranged, coupled with a federal rent subsidy, brings VanHorn's rent to only $87 a month, or 30 percent of her income.

"They want people to have a decent place to live," VanHorn, a welfare recipient, said.

Maryland real estate developer James Rouse and his wife, Patty, established the nonprofit foundation in 1982. Rouse gained fame developing upscale "festival marketplaces," among them Faneuil Hall in Boston, Union Station in St. Louis and Harborplace in Baltimore.

By the time he died in 1996, Rouse had built an even greater legacy by refocusing his attention, fortune and money-leveraging skills on renovating and building attractive housing for tens of thousands of low-income people around the country, mostly through local groups.

The foundation now has 18 city offices, including one in Cleveland, and 2,200 partners among groups in 800 locations. It claims $105 million in investment in Cleveland's neighborhoods through last year, spending about $20 million a year, said Mark McDermott, Enterprise's Midwest regional director.

The foundation raises money through the sale of tax credits to help groups such as the Cleveland Housing Network Inc. provide homes for rent until tenants can purchase them outright. It also finances day care and community reading programs.

"We're really working very diligently to create affordable housing and life opportunity for low-income families," Terri Y. Montague, the foundation's president and chief operating officer, said. "Cleveland is one of our stellar examples of our ability to do that."

Clevelanders agree.

SEE DREAM | B2

DREAM

FROM B1

A dream fulfilled: Decent place to live

"I think the Enterprise Foundation has really done a phenomenal job in looking at the needs in our challenged communities," said Tom Stone, executive director of Mount Pleasant NOW Development Corp. "I think it has played a major role in the redevelopment of communities across the country."

The foundation's work in Cleveland has included:

- Helping pay for the construction of 3,150 affordable homes already built or on the drawing board, providing $12 million in grants and loans and a $1 million partnership with Habitat for Humanity.
- Working with Cuyahoga Metropolitan Housing Authority on a plan to replace 58 public-housing units lost at Carver Park Estates as a result of its redevelopment.
- Investing $82 million in housing network projects over the years, said Rob Curry, the network's executive director. (It has raised more than $3.6 billion to help produce homes for 70,000 families nationally.)
- Raising money for Glenville Development Corp.'s $3.5 million Glenhaven Apartments for the elderly at St. Clair Avenue and East 93rd Street and helping finance construction of more apartments for elderly tenants at East 105th Street.
- Helping develop efficiency apartments for homeless people through Mount Pleasant NOW's $1.4 million conversion of the old Kinsman Hotel into the Kinsman Kare building.

The once-homeless people probably haven't heard of Enterprise, either, but they now have a place "they can call home and they can be proud of it and they cannot be ashamed in any way," Stone said.

Said Norman Krumholz, a Cleveland State University urban-planning professor and Cleveland's former city planning director: "Among all the foundations, they seem to be the one concerned most with low-income housing."

And the foundation has more projects in the works. The local Enterprise office is administering $2.2 million in grants for local groups between July 2001 and June 2004.

The money comes from Living Cities, formerly the National Community Development Initiative, which is a national organization that backs community development,.

Upcoming local foundation-backed projects include the Cleveland Housing Network's plans for 88 rehabilitated or newly built single-family homes in Cleveland neighborhoods; Lutheran Housing Corp.'s plans for 40 new homes in East Cleveland; and a 32-unit multifamily project that a Cleveland housing nonprofit called Famicos is planning for Newton Avenue in Cleveland.

Montague said the foundation sought to maintain its commitment to affordable housing as it deals with rising property values and production costs.

That's so it can help build more homes such as the one young Diana VanHorn illustrated in her drawing of a house surrounded by flowers, trees and butterflies and titled, "My house is like a great big hug."

Said her mother about the house: "It really is what I had been looking for."

To reach this Plain Dealer reporter:
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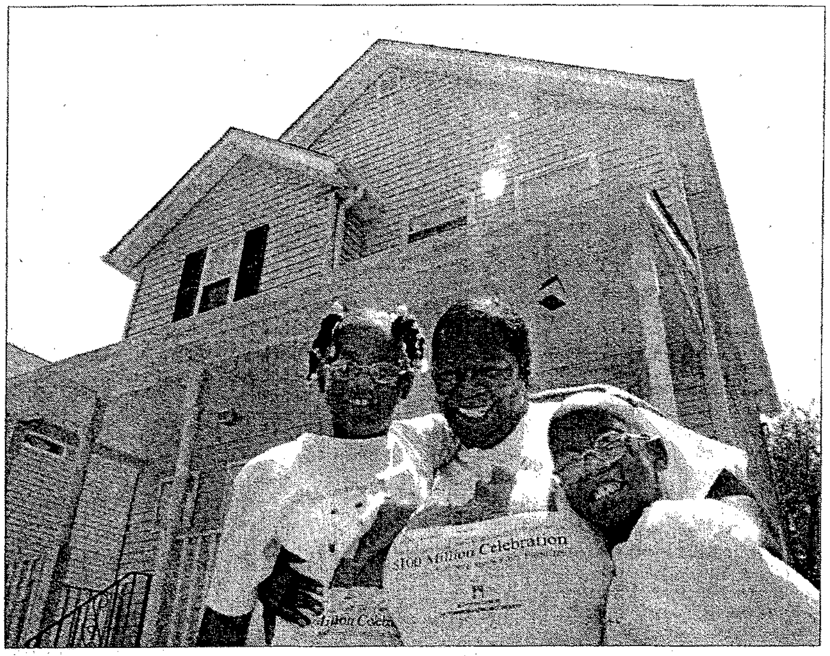

JONATHAN J. ROMANO | THE PLAIN DEALER

Yolanda VanHorn, daughter Diana, 10, left, and son Darius, 6, rent the nearly new colonial in Cleveland's Buckeye neighborhood. VanHorn has the option of entering into an agreement to rent the home until she can buy it outright next year. The house was built with support of the Enterprise Foundation, which has supported affordable housing development in Cleveland for 20 years.

Historical Overview of Enterprise, NCDI and the Section 4 Program

By the late 1980s, community-based organizations had begun to emerge on a national scale as a significant force for revitalizing low-income communities. One reason for their increasing efficacy was the development of intermediary organizations to support the field, including The Enterprise Foundation and the Local Initiatives Support Corporation (LISC).

Enterprise was launched in 1982 by renowned developer James Rouse and his wife, Patty. (LISC had been formed two years before.) The Rouses were inspired to start Enterprise by three women from the Church of the Saviour in Washington, D.C. The women asked Mr. Rouse for help in turning two run-down, rat-infested buildings blighting their Adams Morgan neighborhood into affordable apartments for low-income residents of the area. With the Rouses' help and thousands of hours of volunteer time, the women achieved their goal. The church formed a community development group to pursue additional activities in the neighborhood. The Rouses founded Enterprise to help more grassroots groups rebuild their communities.

By its 10th anniversary, in 1991, Enterprise had grown well beyond its initial projections. Enterprise's network of local partners had grown to 190 grassroots groups in 90 locations. Enterprise had raised nearly $430 million to support community-based development, $330 million of which was equity through the Low Income Housing Tax Credit program, which Enterprise had played a leading role in helping congressional leaders design and enact in 1986. These resources had helped produce 17,000 affordable homes and assist 20,000 low-income individuals find employment.

Leading philanthropic and corporate supporters of neighborhood revitalization became convinced that community-based groups could achieve even greater and more lasting success if they could count on a significant, reliable commitment of multi-year operating support, project financing, technical assistance and training. At the same time, these institutions believed that an increased investment would only make sense if their resources were administered by entities with a national reach, local presence, strong track record and expertise in working directly with community based organizations.

With those intentions in 1991, seven large national foundations and a major insurance company formed a consortium to provide funding to strengthen neighborhood-based groups. The National Community Development Initiative (NCDI, now known as Living Cities) pledged $62.5 million in the first phase of an unprecedented 10-year private sector commitment to community development to support grassroots groups in 23 cities. NCDI selected Enterprise and LISC to administer most of the funds and monitor their use by the community groups.

Two years later, in 1993, the NCDI funders reached out to then-HUD Secretary Cisneros to engage HUD's participation in the NCDI. Congress provided HUD the authority to participate in the collaborative under Section 4 of the "HUD Demonstration Act of 1993" (P.L. 103-120, excerpt enclosed as Attachment 1).

Section 4 authorized Congress to provide assistance through the NCDI "to develop the capacity and ability of community development corporations to undertake community development and affordable housing projects and programs." Section 4 authorized federal funds through the NCDI to provide community groups with financial support, training, technical assistance and other assistance as approved by HUD. The law required the NCDI to match every federal dollar with at least three dollars from private sources.

In the fiscal year 1994 HUD appropriation, Congress provided $20 million under Section 4. Congress appropriated an additional $10 million in fiscal year 1996. This federal support and early encouraging results on the ground convinced the NCDI private funders to increase their commitment; new funders joined the collaborative as well. By the end of the NCDI's first decade, the private sector had committed $214 million. The federal government had invested $40 million. (The enclosed white paper, "A Working Model for Healthy Cities: Lessons Learned from the National Community Development Initiative's First Decade," describes the NCDI funders, locations, achievements and local examples.)

The NCDI's initial successes, and HUD's participation in them, led federal policymakers to ask Enterprise and LISC whether the Section 4 model could be broadened to assist areas beyond the 23 NCDI locations. When the organizations responded affirmatively, Congress in fiscal year 1997 expanded Section 4 to allow Enterprise and LISC to use Section 4 funds outside the NCDI, including in rural and Native American areas. Congress also authorized Habitat for Humanity International and Youthbuild USA to participate in the program and appropriated $7.55 million to each of the four organizations that year (P.L. 105-18, excerpt enclosed as Attachment 2).

Since 1997, Congress has annually appropriated Section 4 funds through HUD to intermediaries to assist community-based groups. Independent evaluations have confirmed Section 4's success, both in NCDI locations and in other areas. Between 1991 and 2000, NCDI funds, of which Section 4 resources were a critical part, directly helped community-based groups develop almost 20,000 affordable homes and 1.7 million square feet of commercial and community facilities. The Urban Institute found that community group strength, production and local support systems have grown significantly thanks to this support. As a result, community-based groups "in many cities are now the most productive developers of affordable housing, outstripping private developers and public housing agencies," according to the Institute.[i]

According to a report by Weinheimer & Associates for HUD on Enterprise and LISC's use of Section 4 funds outside NCDI locations, "by and large the Section 4 program met and exceeded the goal established by Congress to develop the capacity of community development corporations to undertake community development and affordable housing projects and programs."[ii] Several factors account for the Section 4 initiative's success, in the view of independent evaluators. According to Weinheimer & Associates:

- "Section 4 itself created a pool of money dedicated to building capacity of nonprofit organizations. That set-aside of money signaled that the task of capacity building is important and merits its own funding. It is not just a by-product of other activities. This suggested to other leaders that capacity building is worthwhile and important.

- "The Section 4 money is flexible. This allowed both Enterprise and LISC to meet local needs and opportunities in a variety of locations. They were not restricted to one national model of capacity building.

- "HUD used two strong national organizations with a great deal of specialized knowledge in community development to deliver the capacity building assistance. Both Enterprise and LISC brought new tools and techniques to local situations and neighborhoods that usually were not previously present.

- "The intermediaries demonstrated an ability to innovate with new tools and techniques for capacity building. Both organizations also are engaged in developing technology-based learning tools that show promise for helping isolated CDCs.

- "In most cities, the intermediaries built local systems of support for the CDCs. That is, they enlisted local funders and supporters who leveraged their own resources, and they helped to create more streamlined funding streams for CDCs."[iii]

Another strength of Section 4 is the leverage it achieves. As noted, Section 4 recipients must match every federal dollar with at least three additional dollars of private support. In practice, Enterprise and LISC far exceed that requirement. For example, the private investment through the NCDI has been more than five times the federal contribution.

In addition, Section 4 investment and assistance has even larger leverage in terms of total development cost. For example, the $65 million in private and public capacity building funds Enterprise invested through NCDI's first decade supported $887 million in total housing and economic development in low-income communities, a leverage of more than 13:1.

Matching funds and additional financial leverage are hugely important to community group capacity building initiatives. They ensure that the federal government maximizes the return on its investment and provide additional accountability on the use of federal funds by increasing the number of stakeholders in an organization's success.

Finally, Section 4 works because Enterprise, like LISC, ensures a high level of accountability among the groups it assists. The vast majority of Enterprise's community partners meets or exceeds Enterprise's high standards. Some experience setbacks, as any small business operating in a tough market does.

The following measures help assure those occurrences are rare and correctable:

- Detailed work plans and regular reports. Groups that receive commitments of Enterprise grant funds must develop detailed plans for how they would use the money. The work plans set out specific measurable objectives. Groups must report at least semi-annually to Enterprise on their progress—and setbacks. Enterprise works with groups to fix problems as they develop.

- Audits and site visits. The audits enable Enterprise to verify that groups have sufficient management controls in place to ensure they use taxpayer dollars in accordance with the law and the purpose of the grant. Enterprise audits a random sample of grantees each month. Audits include "desk reviews" as well as site visits. If audits uncover improper use of finds, Enterprise—not the federal government—must repay the funds to HUD.

- Hands-on training and technical assistance in conjunction with funding. Enterprise actively assists the groups it funds, especially the least experienced, in all aspects of organizational management and project development. Enterprise's technical assistance addresses issues Enterprise and the groups jointly identify. In cities where Enterprise has an office, local staff deliver these services and are in constant contact with Enterprise's grassroots partners. Where Enterprise does not have staff "on the ground," national and regional staff keep close tabs on grantees through regular communication, site visits and through other local partners in the community.

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[i] Walker and Weinheimer, *Community Development in the 1990's*, Urban Institute, 1998, p. 1.

[ii] Weinheimer, Engdahl and Honor, *HUD Section 4—Building the Capacity of Community Developme Corporations: Assessment Report For FY 1997 Funds*, Weinheimer & Associates, 2001, p. 2.

[iii] Weinheimer, Engdahl and Honor, pp.3-4.

A Working Model for Healthy Cities:

Lessons from the National Community Development Initiative's First Decade

August 2002

The Health of Our Cities

Cities are vital to American life. They are our centers of commerce, culture, government, sport and industry, and they harness much of our nation's energy and productivity. They are the focal points for young people seeking fame and fortune, immigrants in search of the American Dream, and everyday folks looking to be awed, excited and entertained. It's hard to imagine what America would be like without its fourscore or more vibrant urban centers.

The start of the 21st century finds America's cities healthier than in the recent past, but far from uniformly so. The economic boom of the last decade has been uneven in its impact. While cities have enjoyed substantial gains, many still lag their suburban neighbors in job and economic growth. For example, while poverty has declined in central cities, urban poverty rates are still twice as high as in suburban areas—16.1% versus 7.8% in 2000.[1] Business growth in urban areas trails growth in the suburbs by half.[2] Increases in jobs and wage levels have been accompanied by higher costs of living: the price of rental housing in many cities has risen at one-and-a-half times the rate of inflation.[3]

A truly healthy city harbors neighborhoods spanning the full socioeconomic spectrum: affluent, middle and working class as well as those who are struggling. A vigorous city needs people of all stripes, interests, occupations and backgrounds living close to and interacting with one another: teachers as well as financiers; social workers and CEOs; shopkeepers, health-care professionals, construction workers and nurses; students, software engineers and electricians. A healthy city provides a diverse mix of safe, prosperous neighborhoods for all of these people and a myriad more to make their homes. This is a tall order: cities have long been daunted by how to prevent poorer communities from slipping into the urban decline and decay that has been too much in evidence in recent decades.

The National Community Development Initiative (NCDI) has been working to improve inner cities—often successfully, sometimes not—for the last 10 years. Its experience has shown that community institutions—in this case, community development corporations, or CDCs—are contributing tangibly to the social and economic health of inner-city neighborhoods. Founded in 1991 by a group of private foundations and financial-services corporations, NCDI has provided more than $254 million in direct financial support from corporate, nonprofit and government funders to CDCs in 23 cities across the United States. This investment has attracted an additional $2.2 billion in funding for inner-city revitalization from more than 250 state and local partners, including state and city governments, foundations, banks and other corporations.

By conducting the "business of community," that is, combining expertise in business and finance with community networks and relationships, CDCs have used funds from NCDI and other sources to rebuild and rehabilitate thousands of new homes and rental apartments, as well as spearhead the development of commercial, community and mixed-use facilities in low-income neighborhoods nationwide.

As NCDI launches its second decade, it's clear that the field it helped to grow is working, and can be even more effective in the future. The NCDI model of pulling together the considerable capabilities of diverse entities with a common interest in urban revitalization—foundations, banks, financial services companies, government agencies—and channeling those resources to local organizations that combine business know-how with community-based self-interest—is a powerful catalyst for combating neighborhood decline.

It's also clear that CDCs, even with the support of NCDI, can't do the job alone. Their success—and the task of turning around poor neighborhoods generally—depends on a host of conditions, such as federal policies and financial support that is flexible and fosters local innovation, leadership and efficient governance at the municipal level, timely and accurate information on urban conditions and assets, and, equally important, more private capital and investment.

Equipped with lessons from the last 10 years, NCDI starts its second decade with more partners, greater resources and a deeper understanding of what works and what doesn't. It recommits with a new name as well, *Living Cities,* that reflects its focus on both supporting community revitalization and articulating broader approaches that can sustain and contribute to the livelihood of America's urban centers. This paper charts the successes that NCDI has helped produce and the lessons it has learned that will guide its activities in the next decade.

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Strengthening Community Development

While the issue of how best to revitalize distressed inner-city neighborhoods remains a challenge, there is promise. The exodus from cities in the 1960s and '70s led to the decline of numerous urban neighborhoods. Attempts to resurrect decaying communities ran headlong into hard economic and demographic realities: as middle-class people migrated out of cities, so too did businesses and private capital, accelerating both physical and social disintegration.

No one image has better represented urban distress than that of blighted, abandoned housing. And the solutions aren't easy. For example, the costs of renovation or reconstruction of housing in poor neighborhoods are often greater than those of working in better-fixed communities because of the difficulties of assembling funding and the need to work with a network of government agencies. There is often little market incentive for private developers to take on such challenges since low rents and resale prices promise meager returns.

As community-based organizations, CDCs work to overcome these challenges and pursue opportunities that for-profit developers do not find economically feasible. With a combination of government and private support, CDCs produce housing that low-income residents can afford. In so doing, they can also reverse the cycle of decline by demonstrating the economic viability of a neighborhood and over time encouraging private capital to return and reinvest.

Most CDCs were founded by local residents as community self-help organizations. Not surprisingly, in their infancy they faced the challenges experienced by most start-up industries: inadequate financing, staffing, management expertise, leadership and governance. Most had to seek assistance on an ad hoc basis from foundations, city governments or other sources.

From its inception, NCDI has sought to strengthen the community-development infrastructure. According to the Urban Institute, a Washington-based nonpartisan policy-research and educational organization,[4] the 1990s witnessed "an institutional revolution" in community development. "Support for CDC initiatives had been largely ad hoc and poorly coordinated before 1990. By decade's end, support for CDCs had become more rational, entrenched, and effective."[5]

A portion of this institutional revolution can be credited to NCDI, which was launched with two principal goals: 1) assist the development and maturation of local systems that support community development, i.e., build CDC capacity, and 2) increase the availability of usable long-term financing for CDC-developed projects; that is, channel and attract more money to CDC developments.[6] To ensure that there was on-the-ground knowledge and expertise to make informed funding decisions in multiple locations, NCDI chose to work through two intermediary organizations with successful track records of funding and providing technical assistance to community-development programs and CDCs: the Local Initiatives Support Corporation (LISC) and The Enterprise Foundation. Additional foundations, financial services companies and the U.S. Department of Housing and Urban Development later joined the original eight NCDI partners. In its first decade, NCDI dispensed $254 million to support the work of some 300 CDCs.

NCDI Funders[7]

AXA Community Investment Program - Bank of America
The Annie E. Casey Foundation - Deutsche Bank
The Fannie Mae Foundation - The Robert Wood Johnson Foundation
W.K. Kellogg Foundation - John S. and James L. Knight Foundation
John D. and Catherine T. MacArthur Foundation
The McKnight Foundation – Metropolitan Life Insurance Company
J.P. Morgan Chase & Co. – The Prudential Insurance Company of America
The Rockefeller Foundation – Surdna Foundation
United States Department of Housing and Urban Development
United States Department of Health and Human Services

Working through LISC and Enterprise, NCDI provided two types of support badly needed by CDCs: loans for development activities and grants for core operations, community programs and technical assistance. For example, in 16 of 23 cities, NCDI provided seed money for new operating-support programs.[8] NCDI funds have also been used to engage other participants in the community-development process, using its investments to leverage their support.[9]

NCDI assistance helped many CDCs expand beyond strict housing development into other neighborhood-improvement activities such as economic and work-force development and community organizing. NCDI's support for capacity-building programs not only enabled hundreds of CDCs to improve their operations, it also helped demonstrate that CDCs can mount sophisticated, multipronged attacks on the problems afflicting inner-city neighborhoods.[10]

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High Impact Funding for Affordable Housing

NCDI has had a direct, substantial and multifaceted impact on the development of affordable housing in the United States. In the 23 cities in which it financed CDC work, NCDI dollars were instrumental in the development of almost 20,000 units of affordable housing during the 1990s—7,000 new homes and 13,000 rehabilitated or new rental apartments. Moreover, NCDI funding helped produce 1.7 million square feet of commercial, community and "mixed-use" real-estate development. This included 1.3 million square feet of commercial and industrial space and 107,000 square feet of community facilities such as police substations, health clinics, and community and child-care centers. Research by the Urban Institute has found that property values in some CDC-developed neighborhoods have risen by more than they would have absent CDC programs. In at least two NCDI cities, Portland, Oregon, and Denver, property values rose by 50 percent more than they would have otherwise.[11]

Direct development funding is only part of the NCDI story, however. NCDI dollars have been critical in other ways. Because of the uncertainty that surrounds many inner-city development projects, early property acquisition and pre-construction financing is often the most difficult to obtain. Without this funding, a project cannot get off the ground (and the major government housing subsidy programs—the Low Income Housing Tax Credit and the HOME programs—cannot be brought into play). NCDI has earmarked the lion's share of its funding, more than 90 percent, to "high-risk acquisition, pre-development and construction phases of projects,"[12] thereby allocating money where more risk-averse funders fear to tread and where it can have the biggest possible impact on the development process.

This funding strategy helps explain the tremendous leverage that LISC, Enterprise and local CDCs have achieved with NCDI funding. The $163 million directly invested through NCDI has supported development projects with a total value of more than $2.2 billion. In other words, in funding some 472 projects over 10 years, NCDI put up 7 percent of the total funding, but that 7 percent was instrumental in attracting the other 93 percent and in making 20,000 units of affordable housing a reality.[13] Moreover, as the Urban Institute found:

> In some cities, the LISC and Enterprise funds attracted new predevelopment and construction funds from private lenders, as shown by the extensive field research conducted for this report. In Chicago, for example, NCDI funding no longer needs to be used for predevelopment because local banks now provide it at competitive rates. Field research also suggested that long-term financing for CDC projects became more readily available, i.e., CDC projects that earlier might have struggled to find permanent finance from private banks on affordable terms were in the enviable position of having multiple banks vie with one another to make loans.[14]

NCDI funds have also played a key role in helping LISC, Enterprise and local CDCs enter the ownership housing market in the 1990s. For-sale development in declining communities is a significantly more difficult, complex and high-risk business than developing rental units, since it involves more subsidies, lower densities and marketing that is more intensive. It is not surprising that the results of these undertakings have been mixed.[15] Nonetheless, NCDI funded more than 6,600 for-sale units, or 54 percent of those developed with LISC and Enterprise money, with pre-development or construction financing in such cities as Cleveland, Boston, Seattle, Phoenix, Indianapolis and Kansas City, Mo.[16]

What We've Learned: Lessons From NCDI's First 10 Years

With a decade of support for 300 CDCs working in neighborhoods across the country, NCDI has distilled lessons that point to both the challenges and promising opportunities for rebuilding urban communities. Here are six lessons that will contribute to the future work of *Living Cities*.

1. *Affordable housing remains a critical issue.*

   The ability to maintain a comfortable home in a safe community is a cornerstone of the American Dream. Millions of Americans, while they might benefit as owners from the increasing value of their homes, also worry about the impact of rising property values on the makeup of their neighborhoods. They know that if they wanted to buy or rent their homes today, they could not afford to. By the end of the 1990s, more than one in eight households, over 14 million, were severely burdened with housing costs that exceeded 50 percent of their incomes.[17] Affordable housing is not just a challenge of the inner city. It's an issue that affects millions of Americans, and we feel it daily.

   The issue of affordable housing remains critical in urban communities and for the many low-income families who call them home. For example, more than 4.5 million low-income people in central cities lacked an affordable or adequate place to live in 1999.[18] Federal assistance remains critical to addressing this challenge, and CDCs are viable entities for turning dilapidated housing stock into livable homes, if supported with financial resources, political will and community buy-in. Community development is not a panacea, and it takes time to work. But we now have the capability and expertise to solve one of the problems that long seemed completely intractable to many Americans.

2. *Revitalizing poor neighborhoods is hard work, but it can and is being done.*

   The work in 23 cities supported by NCDI provides solid evidence that it is possible to make a difference in poor urban communities: block by block, street by street, a neighborhood, and even multiple neighborhoods in a given city. In 19 of the 23 cities, there is visible and tangible evidence of neighborhood improvement. In eight of them, it happened in multiple neighborhoods. NCDI can point to several ingredients, including funding for local projects, organizational and technical support for CDCs, and efficient city government regulatory and administrative structures.

NCDI contributed two of these ingredients—loans and grants—and they were put to very good use. These dollars were used to spark investments where private capital was lacking. They were used to experiment with new financing tools to expand home-ownership programs, build child care and health facilities, and start new commercial ventures.

3. *Community development requires government support and cooperation at all levels—federal, state and local—to work.*

The vagaries of economics and the private market do not support community development, so the laws of society need to lend a hand. The costs of development in poor communities are at least as great as that in well-to-do neighborhoods. At the same time, rents are lower, sale prices cheaper, risks greater and the chances of default higher. Even with the assistance of organizations like NCDI, LISC, Enterprise and many other foundations and corporations, CDCs need government help in the form of financial subsidies and cooperation to do their jobs. Federal government housing-subsidy programs such as the Low Income Housing Tax Credit, the Community Development Block Grant and the HOME program (not to mention HUD participation in NCDI itself) have long proven effective. Their perpetuation is essential to continued success.

At the same time, municipal government cooperation and support is equally critical—but not universally guaranteed. Research shows that CDCs operate most effectively in cities where the municipal government is a cooperative partner supporting the CDCs' activities.[19] However, municipal governments vary greatly in their commitment to community development and their relationships with local CDCs.

Further, many cities continue to face challenges with respect to the disposition of municipally owned or controlled property. Since CDCs redevelop tax-delinquent or otherwise disused real estate, such bureaucratic barriers pose constraints on their ability to develop new housing. While there are certainly exceptions—New York and Cleveland are two—many developers cite inefficient procedures and regulations governing public-land acquisition and disposition of tax-delinquent properties as one of their most significant challenges.

4. *CDCs need further strengthening.*

CDCs vary widely in their quality of management, financial backing and operational support. While many receive adequate to good ratings from LISC and Enterprise for quality improvements, management and governance, a number of major CDCs collapsed during the decade owing to overcommitment, undercapitalization and poor decision making.[20] Lax accountability and the absence of strong controls also can lead to the possibility of financial mismanagement and abuse.

Some CDCs continue to be highly vulnerable to adverse developments, and their continued progress requires equal attention to project funding and operational support. CDCs operate in a high-risk business. It is difficult to recruit and retain high-quality management and staff. Funding is in short supply, particularly for nondevelopment-related, administrative needs. There are always more projects than resources, and the temptation is constantly present to take on a new project because of its potential community impact while overlooking the equally high potential for stretching the CDCs limited capabilities past their breaking point.

Moreover, CDCs are most effective when they operate strategically and with a long-term focus. Real-estate development is a transactional business, but community revitalization requires multiple transactions guided by a common strategy. Research shows that "CDCs have achieved the broadest results where they pursued a consistent redevelopment strategy over time, supported by strategic alliances with other neighborhood and citywide actors. Cities that had created the best community development support systems throughout the 1980s and 1990s, had created by the end of the 1990s a cadre of multiple strong CDCs able to pursue neighborhood revitalization for the long haul."[21]

By providing multiyear commitments of support and by funding high-impact projects, NCDI monies can help CDCs follow consistent strategies and maintain a long-term focus. Further investment in capacity building and operating support programs will also help strengthen CDCs as operating entities. Facilitating the exchange of ideas and best practices across the patchwork network that is the CDC industry today can help empower both individual CDCs and the field generally. NCDI is in an excellent position to assist in these areas.

5. *CDCs can and are expanding from their core work of affordable housing development, but success will take time.*

Undertaking such activities as community planning, work-force development and community organizing would appear to be a natural extension for an established community organization such as a CDC, especially one with existing government, business and neighborhood relationships and proven skills in pursuing economic development initiatives. For just these reasons, CDCs are often cast in a community-building leadership role. NCDI has funded a number of broader CDC initiatives including economic-development programs in Boston and Chicago, work-force development in Denver, New York and Chicago, community organizing in Boston and Kansas City, Mo., child-care facilities in New York, health care in Los Angeles, comprehensive initiatives in Chicago and Cleveland, and community-safety programs in Cleveland and Atlanta.[22]

There are drawbacks, however. The collaboration with other institutions that is required for such activities is both time-consuming and difficult to sustain. Funding is hard to come by, and the goals and parameters of such projects are often poorly articulated and fluid. CDCs that are already stretching their management and financial resources to the breaking point risk undermining their development capabilities by trying to take on broader projects. Moreover, programs such as work-force development require that CDCs develop entirely new sets of skills, management systems, and relationships and funding, many of which represent a complete departure from existing capabilities.[23]

CDCs and their funders should not necessarily eschew such new initiatives. But, they do need to consider carefully what expanded activities they take on, the likelihood of their success and the impact of these additional responsibilities on their core housing-development capabilities.

6. ***Partnerships like NCDI can be transforming.***

The parties involved in community development through NCDI—foundations, financial institutions, nonprofit intermediaries and federal agencies—have long invested individually in urban revitalization according to their own goals, priorities and agendas. But, as they have worked together over the last 10 years, the role of each has underscored and reinforced the involvement of the others and magnified their collective impact.

Foundation support at the early and highest-risk stages of development gives a level of comfort to banks and other financial institutions that a local project has national backing and quality assurance. In their intermediary roles, LISC and Enterprise each bring more than two decades of development expertise at both the local and national levels. The U.S. Department of Housing and Urban Development brings a different order of financial resources into play; its involvement is facilitated by the private sector already being financially engaged. Local CDCs provide an otherwise hard-to-find combination of capabilities: the business and financial expertise necessary to pull off complex and risky real-estate development transactions and the community-based understanding of neighborhood needs that gives them credibility with local residents and community leaders. And as stated earlier, the grants and loans provided by the partners have leveraged billions for low-income neighborhoods.

It is this unusual mix of reinforcing relationships—and the results they have achieved—that has led the vast majority of NCDI's funders to sign on enthusiastically for a second decade. It is this decade of experience that has encouraged them to commit to a much deeper level of participation and jointly pursue broader aspects of urban conditions.

There is every expectation that *Living Cities* will play a greater role in fostering the health of America's cities in the decade ahead.

~

Appendix 1

NCDI Cities

Atlanta
Baltimore
Boston
Chicago
Cleveland
Columbus (Ohio)
Dallas
Denver
Detroit
Indianapolis
Kansas City (Mo.)
Los Angeles
Miami
Newark (N.J.)
New York
Philadelphia
Phoenix
Portland (Ore.)
San Antonio
San Francisco Bay Area
Seattle
St. Paul (Minn.)
Washington, D.C.

Appendix 2

NCDI by the Numbers: Intermediary Outputs in NCDI Cities 1991-2001

	Total		NCDI Total		% NCDI
Affordable Housing Production					
Tax-Credit Rental Units	37,647		3,302		9%
Non-Tax Credit Rental Units	32,034		9,370		29%
For Sale Units	12,287		6,614		54%
Total Units	81,968		19,286		24%
Non-Housing Production					
Commercial/Industrial	2,872,828	square feet	1,332,903	square feet	46%
Community Facilities	563,893	square feet	132,843	square feet	24%
Mixed-Use	231,900	square feet	208,000	square feet	90%
All projects	3,668,621	square feet	1,673,746	square feet	46%
Development Costs					
Housing	$ 6,117	million	$ 1,411	million	23%
Commercial/Industrial	$ 444	million	$ 168	million	38%
Community Facilities	$ 148	million	$ 31	million	21%
Mixed-Use	$ 952	million	$ 632	million	66%
All projects	$ 7,662	million	$ 2,242	million	29%
Intermerdiay Funding					
Housing	$ 291	million	$ 131	million	45%
Commercial/Industrial	$ 26	million	$ 10	million	37%
Community Facilities	$ 23	million	$ 9	million	40%
Mixed-Use	$ 38	million	$ 14	million	36%
All projects	$ 377	million	$ 163	million	43%

Source: Compiled by the Urban Institute based on information supplied by the Local Initiatives Support Corporation and The Enterprise Foundation.

Note: Includes all projects that received loans or grants from local LISC and Enterprise offices, and all projects receiving low-income housing tax credit –generated equity from the National Equity Fund and various state funds (LISC) and the Enterprise Social Investment Corporation (Enterprise) and their various national, state, and specially designated funds and affiliated funds.

Note: Figures for Housing, Commercial/Industrial, and Community Facilities are for single-use projects only. Any project that contains more than one use such as housing, commercial/industrial, or community facilities have been included in the Mixed-Use category.

Appendix 3

CDC Neighborhood Development Programs

Types of Programs and Activities Carried Out by Community Development Corporations in 1999	**Percent of "Capable" CDCs Reporting They Conducted Activity*[24]**
Housing Development, including both rental and homeowner housing. CDCs steadily increased their draw from a relatively fixed pool of local housing dollars and other community-development resources.	94 percent
Planning and Organizing, including neighborhood planning, community-organizing and advocacy work, community safety, neighborhood clean-up, and other programs that require active participation of residents and business.	80 percent
Homeownership Programs, including down-payment assistance, owner-occupied housing rehabilitation, prepurchase counseling, emergency repair and other programs to help support or increase the cadre of homeowners in low-income neighborhoods.	69 percent
Commercial and Business Development, including commercial-district improvement and promotion programs, business technical assistance and financing, commercial-building renovation and construction, industrial-loft retention, and others.	60 percent
Work-Force and Youth Programs, including job-readiness training, skills development, youth employment and training, leadership training, and so on.	55 percent
Community Facilities, including health clinics, schools, senior and community centers, homeless shelters, transportation improvements and programs, and other community-use infrastructure.	45 percent
Open Space, including community gardens, parks improvement and maintenance, greenway development and management, etc.	29 percent

Source: 1999 Urban Institute Survey of CDCs in 23 NCDI Cities. Number of respondents: 163.

Appendix 4

Living Cities Investments

City-by City

The Enterprise Foundation or the Local Initiatives Support Corporation (LISC) manages Living Cities' investments into each of the 23 cities. Funds are provided to both organizations for CDC work in New York City and Washington, D.C.

Atlanta, Ga.

Prior to 1990, Atlanta was a city without a formal community development infrastructure. But since that time, the community development industry has gained credibility and local recognition, with organizational support and technical assistance from various sources, including Living Cities. Enterprise Atlanta, the Atlanta Neighborhood Development Partnership, the United Way of Metropolitan Atlanta and the Neighborhood Reinvestment Corporation have helped CDCs generate tangible results in Atlanta's neighborhoods.

Living Cities has invested nearly $12 million into CDCs in Atlanta.

Baltimore, Md.

Baltimore's community development industry is in a state of transition, moving from a government driven system to one that encompasses multiple approaches to rebuilding Baltimore communities – with city government taking a lead. This approach has complemented The Enterprise Foundation's efforts to build strong, durable CDCs and expand their work beyond affordable housing development.

Living Cities has provided more than $14 million to CDCs in Baltimore.

Boston, Mass.

With Living Cities' support, Boston LISC sought to increase the ability of sophisticated, mature CDCs to respond in new ways to neighborhood needs. Financial support from Living Cities – along with local resources – has enabled the CDCs to build new types of housing and more aggressively foster commercial and retail establishments. Living Cities' funds have also promoted initiatives to strengthen neighborhood businesses and increase the staff diversity at local CDCs.

Living Cities has provided more than $10 million to CDC projects in Boston.

Chicago, Ill.

Living Cities has been the primary financer of LISC's New Communities Initiative (NCI), a $9 million program in Chicago that is helping CDCs in Pilsen, West Haven and Southeast Chicago build on the unique strengths of these neighborhoods. NCI support will enable the CDCs to create new family practice health centers and child care centers, improve parks and playgrounds, provide access to new job training and placement resources, create new housing and refocus on commercial and retail development.

Beyond NCI, Living Cities has provided more than $13 million to CDC projects in Chicago.

Cleveland, Ohio

Living Cities' financial support to CDCs in Cleveland has sought to assist them in becoming highly organized and accountable businesses, capable of linking affordable housing production to broader community development. Today, Cleveland has a core of mature CDCs operating in close partnership with local government, corporations and foundations. Their work is supported by Neighborhood Progress, Inc., (NPI) and the local offices of The Enterprise Foundation and LISC.

Over the past decade, Living Cities has provided more than $12.5 million to CDCs in Cleveland.

Columbus, Ohio

In recent years, Living Cities' funds have been used to strengthen a local funding collaborative that provides operating support, technical assistance and training to neighborhood organizations. In addition, the collaborative has promoted high standards for nonprofit capability, to improve their performance in managing housing, economic development and community safety initiatives.

Living Cities has provided nearly $6 million to CDCs in Columbus.

Dallas, Texas

Financial support from Living Cities has largely supported community development in south and west Dallas, with a host of partners that include the City of Dallas, the Foundation for Community Empowerment, the Real Estate Council, Fannie Mae Foundation, Meadows Foundation, Exxon Mobil Foundation, National Council of La Raza, Southern Dallas Development Corporation, Bank of America, Guaranty Federal Bank, Washington Mutual and other private and public institutions.

Living Cities has provided $5 million to CDCs in Dallas.

Denver, Colo.

A growing affordable housing crisis in Denver in recent years has led local funding partners supported by The Enterprise Foundation to place a higher priority on housing production. Research by the Urban Institute indicates that CDC work in Denver communities has been of financial benefit to homeowners in low-income neighborhoods, with property values rising 50 percent more than they would have absent CDC work.

Living Cities has provided nearly $8 million to 25 CDCs in Denver.

Detroit, Mich.

With support from Living Cities, LISC and local CDCs have sought to strengthen the city government's efforts to rebuild ailing neighborhoods in Detroit, focusing on expediting land transfers from the city to community organizations and targeting five neighborhoods where community organizations could manage large-scale projects. This approach has contributed to neighborhood improvement and increased property values.

Living Cities has provided more than $4 million to CDC projects in Detroit.

Indianapolis, Ind.

Living Cities' support enabled community development to come of age in Indianapolis —with CDCs leading large home ownership and rental projects, launching community-building experiments and capturing the attention and imagination of the city's elected officials. Problems at one large CDC, some of which spilled over onto other organizations, led LISC to refocus its assistance on strengthening the core capacity of CDCs, helping them effectively manage and preserve their newly created neighborhood assets and assisting them to diversify their work to include commercial and economic development.

Living Cities has provided more than $11 million to CDC projects in Indianapolis.

Kansas City, Mo.

Funding from Living Cities led to the emergence of the Kansas City Community Development Initiative (KCCDI), a $25-million local funders collaborative modeled after Living Cities. The primary missions of KCCDI are to increase the capacity of CDCs and encourage comprehensive approaches to neighborhood revitalization. Programs underwritten by both entities have reshaped the Kansas City community development environment, resulting in positive change in several neighborhoods.

Living Cities has provided nearly $9 million to CDC projects in Kansas City.

Los Angeles, Ca.

In Los Angeles, the Neighborhood Turnaround Initiative (NTI) was established to help CDCs undertake more comprehensive approaches to revitalizing their communities. Focused on CDCs in seven under-served LA neighborhoods, NTI provided significant grant and loan resources consistently over four years for activities that are designed to have a broad visible impact. The CDCs in the NTI program have increased housing production and built commercial space and community facilities that include childcare centers, youth recreation facilities and cultural centers.

CDCs have also tackled community building activities such as community organizing, job training, computer training and business development.

Living Cities has provided nearly $9 million to CDC projects in Los Angeles.

Miami, Fla.

Four years ago, Greater Miami was still recovering from Hurricane Andrew, and the prevailing wisdom called for spurring large-scale housing development. Seasoned CDCs provided temporary housing for displaced poor residents and then expedited the production of replacement housing. The state's Task Force for a Sustainable South Florida was beginning to develop a regional strategy for sustainable economic development that would redirect development initiatives to urban neighborhoods. LISC in Greater Miami responded to the new strategy by facilitating CDC work in central Miami and other older urban neighborhoods.

Living Cities has provided close to $11.5 million to CDC projects in Greater Miami.

Newark, N.J.

Living Cities funding has supported LISC's efforts to increase the number of well staffed and multi-service CDCs that can maintain a pipeline of development projects, foster CDC partnerships with for-profit groups and work with the city to encourage transparency in the development process. LISC has also worked to create more predictable funding pools for housing and economic development projects.

Living Cities provided more than $6 million to CDC projects in Newark.

New York City

CDCs have played a major role in strengthening New York City's neighborhoods through the development of affordable housing and addressing such issues as childcare, economic development and job training. Financial support from Living Cities, through LISC and Enterprise, has served to complement the sophisticated and massive CDC housing initiatives already in existence in New York City, and contributed to helping New York City become a community development laboratory—a testing ground for a variety of creative ventures based on new ideas and new partnerships. For example, funds provided through LISC helped the St. Nicholas Neighborhood Preservation Corporation manage a concentrated community building initiative that includes operating two Beacon Schools. This effort draws on the skills of many local nonprofits and serves many neighborhood children.

Living Cities has provided more than $23 million to CDC projects in New York City.

Philadelphia, Pa.

In recent years, funding from Living Cities has helped eight established CDCs in Philadelphia tackle larger projects. These groups are now completing home ownership and rental developments at greater scale and for a wider range of tenant and homeowner incomes. Complementing their housing work, many have undertaken commercial development activities, including improving existing commercial districts and constructing "high impact" projects such as two new supermarkets.

Over the past decade, Living Cities provided more than $19 million to CDC projects in Philadelphia.

Phoenix, Ariz.

In the early 1990s, a handful of newer CDCs in the Phoenix area began community organizing in the low-income neighborhoods around the city's downtown district. The CDCs emerged from various neighborhood associations that had sprung up in response to the extreme crime and blight prevalent in their communities. However, their approach offered little respite to the long-term deterioration that had occurred in these neighborhoods. Funding from Living Cities helped the CDCs evolve into durable community institutions. LISC focused on the work of six CDCs, working to improve their capacity in real estate development, enhance their staff and board development and improve their links with the public and private sectors.

Living Cities has provided nearly $8.5 million to CDC projects in Phoenix.

Portland, Ore.

Living Cities' investments in Portland were instrumental in establishing and strengthening Portland's community development field. Consistent and targeted education, stable funding and human capital investment were combined to improve the efforts of local CDCs. When Living Cities funding first came to Portland, only one CDC was capable of developing large-scale housing projects; now the city has eight such groups. Like Denver, CDCs working in Portland have helped increase property value for low-income residents, according to the Urban Institute.

Living Cities has provided $13.5 million to CDCs in Portland.

San Antonio, Texas

With support from Living Cities, The Enterprise Foundation was a valued partner in the city's effort to reshape its housing delivery system over the past two years, examining the local design and delivery of the CDBG and HOME programs. This has resulted in a greater role for CDCs in promoting the revitalization of poor neighborhoods. Prior to Living Cities' funding, city agencies were relied upon to develop housing, often at a high cost. Now at least three CDCs have shown the capability of developing housing at scale.

Living Cities has provided more than $5 million to CDCs in San Antonio.

San Francisco Bay Area, Calif.

The "Partners in Community Building" managed by LISC in the Bay Area has sought to bolster the effectiveness of eight CDCs, providing operating support, technical assistance and access to low-cost loan funds. With Living Cities' support, LISC also helped fund the Unity Council's Neighborhood Main Street Initiative in the Fruitvale district of Oakland. This initiative focuses on the revitalization of neighborhood business districts through business development, employment, neighborhood safety and security and commercial development. Three other Bay Area neighborhoods are now working with LISC to emulate the Main Street work.

Living Cities has provided more than $8 million to CDC projects in the Bay Area.

Seattle, Wash.

Recent years have seen the capacity of CDCs in Seattle increase tremendously. A number of local initiatives fostered by LISC reflect the full range of commercial and neighborhood improvement activity underway in the city: the Seattle Community Development Initiative, the Seattle Jobs Initiative, the Seattle Small Business Loan and Technical Assistance Center and the Seattle Capital Fund provide various tools to encourage business and job growth and community building. Additionally, the formation of Impact Capital in 2000 provides a backbone for private-sector support for the community development industry.

Living Cities has provided roughly $9.5 million to CDC projects in Seattle.

St. Paul, Minn.

With support from Living Cities, LISC has collaborated closely with public and private partners to build the capacity of a core group of CDCs in St. Paul. The St. Paul Fund for Neighborhood Development (SPFND) provides core operating support and management assistance to eight CDCs. LISC has partnered with CDCs to implement a commercial corridor revitalization program in two neighborhoods and work towards improving or developing 2,000 affordable homes and rental apartments.

Living Cities has provided more than $7.5 million to CDC projects in St. Paul.

Washington, D.C.

In the last four years the nation's capital has undergone a transformation in both local governance and economic outlook. However, redevelopment in the city has further diminished the availability of affordable housing for low-income families. As a result, both The Enterprise Foundation and LISC have worked with several CDCs to develop new housing, help existing tenants purchase affordable multi-family buildings, and improve neighborhood commercial facilities. LISC has recently established a financing program to assist community-based educational, recreation and social service initiatives.

Living Cities has provided more than $23 million to CDC projects in Washington, D.C.

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Appendix 5

LISC and Enterprise

The Local Initiatives Support Corporation (LISC)

LISC was created in 1979 by a team of people from the Ford Foundation who became its first leaders. Today, it is the largest community-development organization in the nation.

LISC concentrates on assisting community-development corporations through grants, loans and equity investments, technical expertise, training, and information. These efforts support the development of local individual leadership and CDC institutional capacity that create affordable housing, commercial, industrial and community facilities, businesses and jobs, community safety, child care, and youth development. LISC currently works with 77 rural CDCs in 39 states and over 300 urban CDCs in 38 cities where LISC has local offices.

LISC has also initiated and manages several national programs. These include financial instrumentalities that mobilize private capital for housing through the federal government's Low Income Housing Tax Credit, for large-scale commercial development, and for community properties. LISC's Housing Authority Resource Center concentrates on revitalizing public-housing properties and its Center for Home Ownership promotes and supports that agenda.

LISC also runs an AmeriCorps program placing volunteers in CDCs and other local community-building organizations. Its Community Investment Collaborative for Kids (CICK) supports the development of community-based child-care facilities as well as home-based child care. And its Community Safety Initiative promotes partnerships between CDCs and police departments.

The Enterprise Foundation

The Enterprise Foundation was founded in 1982 by renowned developer Jim Rouse and his wife, Patty, as a vehicle for helping low-income people revitalize their communities. Headquartered in Columbia, Maryland, Enterprise has offices in 18 communities across the nation.

Enterprise works with a network of 2,200 nonprofit organizations, public housing authorities and Native American tribes in 800 locations, a roster that includes over 100 CDCs. The Foundation provides these organizations with technical assistance, training, short- and long-term loans, equity investments, and grants. Enterprise applies these resources to developing affordable housing; training and placing disadvantaged people in jobs; child-care centers and home-based child care; community-safety initiatives; and commercial and mixed-use projects, especially on urban "brownfield" (former industrial) sites.

Enterprise also partners with Habitat for Humanity International, operates a Native American housing initiative and mounts comprehensive community-building initiatives.

Enterprise has created a set of specialized financial instruments that invest private equity in projects using the Low Income Housing Tax Credit and that otherwise provide short-term and mortgage funding for housing. The Foundation also has created related organizations that develop, market, and sell or manage the rental of low-income housing and mixed-use facilities—or that promote home ownership to low-income people and prepare them for that role.

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Notes

[1] 2001 Current Population Survey, U.S. Bureau of the Census.
[2] The State of the Cities 2000, U.S. Department of Housing and Urban Development, June 2000.
[3] Ibid.
[4] During its first decade, NCDI contracted with the Metropolitan Housing and Communities Policy Center of the Urban Institute (UI) for research and analysis on the effectiveness of NCDI-funded community-development programs. The UI reports cited herein were prepared independently but funded by NCDI. UI's reports on NCDI are available from the UI Web site, www.urban.org.
[5] Walker, *Community Development Corporations and Their Changing Support Systems*, p. 1, The Urban Institute.
[6] Walker and Weinheimer, *Community Development in the 1990s*, p. vi., The Urban Institute
[7] The Fannie Mae Foundation and the U.S. Department of Health and Human Services have recently joined as funders for the second decade of NCDI.
[8] Walker and Weinheimer, *Community Development in the 1990s*, pp. 33 and 34, The Urban Institute.
[9] Ibid., p. 7.
[10] Walker, Gustafson and Snow, *National Support for Local System Change*, p. 49, The Urban Institute.
[11] Ken Temkin, Chris Walker, Diane Levy, George Galster and Noah Sawyer, *The Impact of Community Development Corporations On Neighborhoods: An Analysis of Five Communities*, The Urban Institute, 2002 (forthcoming).
[12] Walker, Gustafson and Snow, op. cit., pp. 20 and 59.
[13] Ibid., p. 59.
[14] Walker, op cit., p 23.
[15] Walker and Weinheimer, op. cit., pp. 66-67.
[16] Walker, Gustafson and Snow, op. cit., pp. 25-26.
[17] 2001 Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing, 2001*, p.22.
[18] Ibid., p. 24.
[19] Walker and Weinheimer, op. cit., Chapter 6.
[20] Walker, op. cit., pp. 36-37; Walker, Gustafson and Snow, op. cit., p. 13.
[21] Walker, Gustafson and Snow, op. cit., p. 12. See, also, Temkin, Walker, Levy, Galster and Sawyer, op. cit.
[22] Walker and Weinheimer, op. cit., pp. 73-87 and 89; Walker, Gustafson and Snow, op. cit., p. 42.
[23] Walker, Gustafson and Snow, op. cit., p. 42.
* The Urban Institute defines a "capable" CDC as one with the capacity to develop 10 or more housing units a year.

Responses to Questions from Representative Tubbs Jones
In Connection with Hearing on
Technical Assistance and Capacity Building Programs
To Promote Housing and Economic Development

Submitted by The Enterprise Foundation

9. "The Committee is very interested in differentiating between technical assistance grants to CDCs (used to buy technical assistance) and project or development grants. In addition, we would like to know how much of the technical assistance provided to CDCs relates to improving their capacity to use other products provided by the intermediaries rather than building the capacity of the CDC to develop this capacity themselves? For example, we understand that LISC provides technical assistance on developing low income tax credit projects that are sold through LISC's affiliate, the National Equity Fund. Other examples include LISC applying for a New Market Tax Credit allocation that it plans to market through its members or using USDA's Intermediary Relending Program. Is the current system designed to expand the financial capacity of the intermediaries and, in effect, develop local CDCs as their marketing group?"

The Enterprise Foundation provides direct "capacity building" support to community-based groups, including grants, technical assistance and training. Our community partners use grant funds we provide for operating support, such as to hire and retain staff or invest in technology, and to pay for expertise, such as consultants and trainers. Enterprise provides training and technical assistance at our cost or below it—oftentimes for free. Training and technical assistance is not a profit-making activity for Enterprise. We provide these services because they are vital to ensuring that our community-based partners can use the operating support and project financing we and others—including the federal government—provide efficiently and effectively.

Enterprise also provides project financing, in the form of (non-Section 4) grants, loans and equity investments for affordable housing, community facilities and commercial projects. Enterprise deploys these resources through affiliated or subsidiary organizations. For example, Enterprise Housing Financial Services provides low-interest acquisition and predevelopment loans for housing and community facilities; the Enterprise Social Investment Corporation (ESIC) provides equity capital for rental apartment construction and equity and loans for commercial development; Enterprise Mortgage Investments provides permanent mortgage financing for rental apartment development; and NHT/Enterprise Preservation Corporation provides financing and technical assistance for affordable housing preservation.

Many of our community-based partners that receive our capacity building assistance also access project financing through Enterprise affiliates, but there is no requirement that they do—or penalty if they do not. Enterprise provides capacity building services entirely unconditionally to our community-based partners.

The community development financing system is highly competitive, consisting of conventional lenders of all sizes and a wide range of specialized community development financial institutions. Enterprise's capacity building staff strongly encourages grassroots groups to seek the most favorable financing for their activities and helps them secure it, whether it is available from Enterprise or another source. It is not unusual for a group to whom Enterprise has made a tentative loan commitment to turn us down after negotiating a better deal with another institution. In fact, Enterprise increases the options available to community-based groups by offering an array of capital sources that can start the development process, especially initial predevelopment commitments.

We have also helped hundreds of community-based developers capitalize on the extremely competitive equity market for Housing Credits in recent years. That market has driven prices to record highs, increased the equity available to the groups and forced consolidation among intermediaries in the program. Only a small percentage of our capacity building grantees access Housing Credit equity through ESIC. Finally, Enterprise works with its community-based partners to assure that they earn reasonable fees for their development activities (as private developers do). These fees, especially those generated through the Housing Credit, have provided critical resources to community-based groups that have sustained the organizations and enabled many to expand their activities. Enterprise has fought at the local and state government level to ensure these fees are permitted and provided

10. "The intermediaries testified that recipients of Section 4 federal dollars are those CDCs that partner with LISC, Enterprise Foundation, and Living Cities. How does a CDC become a "partner"? Is it a competitive process? Are there certain characteristics that partner organizations must possess (i.e. is any CDC eligible to compete)? What are they? How many CDCs are competing for these funds?"

Enterprise deploys its "pass through" capacity building resources (including those funded through Section 4 and private sources) through three major channels: 1) our local offices; 2) our regional offices; and 3) national partnerships with organizations such as Habitat for Humanity International and the Housing Assistance Council.

<u>Local Offices</u>: Enterprise has local offices in 16 cities, which include all 10 of the Living Cities locations where we are active. In addition, we have local or regional programs in 12 other locations. In most of our Living Cities locations, Enterprise provides capacity building funds (both federal Section 4 and private funds) through collaboratives of local private and public funders. These collaboratives provide funding to community-based groups in those cities on a competitive basis, usually through a request for proposal process that is open to a broad segment of local groups.

Charlotte, Cleveland, Columbus, Denver, New York City, Portland (Or.), Rochester, San Antonio, St. Louis and Washington, D.C. all have strong local collaboratives through which Enterprise deploys Section 4 and private capacity building funds. Local leaders in Dallas have recently launched a collaborative, in which Enterprise is a major participant.

The Urban Institute found that:

> Until the 1990s, CDC capacity building systems consisted primarily of the weakly-coordinated, ad-hoc activities by corporations, foundations, and city governments to support CDC operations. The most common approach was to provide small unrestricted grants for CDC operations...The system was woefully inefficient: CDC directors spent so much time seeking operating grants that projects and thoughtful redevelopment strategies suffered. Corporate, foundation, and government donors were bombarded with funding requests. And when they said "yes," funders often failed to specify any performance obligations or establish measures to assess and monitor performance. The creation of new capacity-building systems using intermediaries in key roles radically improved the situation.[1]

The collaboratives offer the following advantages: 1) They provide multi-year operating support; 2) They leverage additional resources for community development; 3) They provide strong oversight and monitoring of groups that receive funding, through formal assessments of capacity and needs and outcome-based funding approaches; and 4) They enlist local partners to support community development on a continuing basis and thus help build local, long-term, systemic support for neighborhood revitalization.

It is important to note that these collaboratives are not intended to serve every community-based group in their cities, for three reasons. First, resource constraints require the collaboratives to target the areas they serve, based on careful consideration by all members of the collaborative. Second, the collaboratives in many places have made a conscious decision to provide greater assistance to a smaller number of groups to enable them to achieve the scale sufficient to have a deep and enduring impact. Third, not every community-based group can meet the collaboratives' performance standards; in some cases, participating groups have been de-funded for failure to perform. These high standards are not always easy to implement—and they are sometimes criticized—but they are essential to the continuing viability of the field.

In Atlanta and Baltimore, Enterprise's local offices deploy funds through a competitive process themselves; the process is open to most of the community-based groups in those cities. Our Santa Fe office provides operating support grants to any qualified community group in its service areas. In Austin and Los Angeles (non-NCDI cities for Enterprise), Enterprise makes very few operating support grants.

Regional Offices: Enterprise also deploys a very small portion of its pass through capacity building resources through its five regional offices. These offices are led by senior Enterprise staff who oversee our local offices and programs in their regions and cultivate relationships with community-based groups in areas the offices do not serve. Enterprise local office staff will often refer community-based groups outside their service areas seeking assistance to their regional directors. In other cases, the regional directors

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[1]Walker, *Community Development Corporations and Their Changing Support Systems*, The Urban Institute, April 2002, pp 39-40.

may become aware of a grassroots group through another Enterprise partner, such as a funder or local government or through their own frequent travels. In all cases, groups must meet rigorous standards of capacity and accountability to receive funding.

National Partnerships: Enterprise also makes pass through capacity building support available to grassroots groups through national or regional partnerships with other experienced intermediaries and other organizations with an established track record in supporting community-based organizations, such as Habitat for Humanity International, the Housing Assistance Council (HAC) and the Michigan Capital Fund for Housing (MCFH). Enterprise's purpose in deploying operating support grants through these partnerships is to reach groups and communities we cannot through our local and regional offices and program location areas. No two partnerships operate exactly the same; generally, Enterprise and its partner jointly develop a process for soliciting, administering and monitoring the grants. Eligible grantees vary according to the partnership. The Habitat partnership primarily assists Habitat affiliates in urban areas. The HAC partnership targets grassroots groups in small rural communities. The MCFH initiative strengthens community organizations throughout that state, especially those outside major metropolitan areas.

Enterprise makes a very small portion of its pass through capacity building resources available to community-based groups that have independently accessed Enterprise's financial services, i.e., without having first received a grant or training from Enterprise. For example, a community-based organization arranging equity financing for an apartment development with ESIC may need additional assistance to proceed with the project; capacity building resources may be used to help the group through the predevelopment process. Finally, Enterprise may assist a grassroots group that has been referred to Enterprise by another partner, such as a funder or local government.

Regardless which distribution channel we use, Enterprise holds all its community-based partners to high standards of capacity, performance and accountability. While there is not a single, uniform standard across the community development field, the interplay of locally developed standards, national best practices and sharing of models across cities has developed strong standards. This collaborative interchange in the industry has led to appropriately customized approaches to standards and measures of performance.

The specifics of performance measures may vary by city or group, but in general they share thresholds in the following categories: 1) Board leadership and governance that offers evidence of accountability to the community, to funders and to the organization's mission and goals; 2) Strong financial capacity, including a diversified funding base and good stewardship of resources; 3) Management infrastructure—sound business principles of accountability, competent staffing and community involvement—to support successful program operations, reporting and neighborhood impact; 4) Solid track record in managing and executing programs and projects, including systems to monitor progress and identify corrective actions in program strategy; and 5) A neighborhood revitalization strategy that responds to community concerns, opportunities and needs with tangible and measurable steps the group will utilize to address them.

11, 12, 13. "What say do participants have in the type of technical assistance they receive. How do you ensure the technical assistance provided is appropriate to the needs of program participants? How much training is tailored to specific needs of participants? How are those needs identified?"

Enterprise carefully tailors its technical assistance directly to the needs of its community-based partners with the groups' full participation. We provide technical assistance to the large majority of groups we provide operating support; indeed, one purpose of the technical assistance is to ensure the organizations can use the operating support efficiently and effectively. Every recipient of operating support must submit a detailed workplan for its use of its grant(s). This plan also provides a venue for a needs-assessment upon which Enterprise develops a technical assistance plan with the group. As the organization's needs change, Enterprise's technical assistance evolves as well. In cities where Enterprise participates in capacity building funding collaboratives, the collaboratives' request for proposal process provides a venue for identifying the applicants' specific needs for technical assistance.

Enterprise tailors its trainings to the specific needs of its partners as well. Trainings range from one day to five days. They may take place in small groups, classroom settings or on-line. We provide our network of community-based partners a wide variety of opportunities to request specific types of and subjects for training. These venues include direct requests to Enterprise's local or national staff; solicitations through Enterprise's website, many publications and national conference; and our own staff's assessment of needs in the field based on their daily interaction with grassroots groups.

Enterprise employs a variety of approaches to strengthen community groups' best practices and standards for conducting their lines of business and managing their organizations. In addition to performance standards adopted by some operating support collaboratives, Enterprise has developed standards and guides for quality performance that it published as the 35-volume *Community Development Library*. The *Library*, developed by community development experts with decades of experience, includes multi-volume guides on planning, money management, communications, governance, fundraising and program operations. Portions are available through Enterprise's website.

Enterprise also has developed a number of other tools: 1) The "Housing Developer Support System", a free online resource that takes grassroots groups step-by-step through the housing development process, with model documents to simplify the process; 2) "Housing Developer Pro," software that automates cost estimating for rehabilitation; 3) "Neighborhood Survey Pro," software for hand-held computers that enables users to collect survey data on building and neighborhood conditions and individual assets; 4) "Community Planner Pro," software that enables groups to collect data for neighborhood planning; and 5) "Enterprise Resource Database," more than 1,000 model documents, case studies and best practices on numerous housing and community development topics.

14, 15. "In your remarks, you mentioned that rural areas received assistance under Section 4. Please describe the total allocation that went to rural communities and the total amount provided in project grants to CDCs. Please list the highest, lowest average grant amount per state. Please provide the total number of CDCs assisted with project grants per state. Please list the highest, lowest, average loan amount per state. Please provide the total amount provided in loans for projects to CDCs."

Enterprise has committed 227 Section 4 rural grants to 151 community-based groups for a total of $6.2 million. The average grant amount was $27,319. The largest grant was $193,900. The smallest grant was $329. States-by-state information is enclosed as Attachment 3.

Enterprise does not make loans with Section 4 funds.

16, 17. "Total amount provided in classroom-based training. Total number of CDCs that were trained (not the total number of participants but actual CDCs)."

Enterprise provides very little formal training with Section 4 resources and we do not track the amounts. Most of the training we provide with federal funds is through competitive co-operative grants with HUD under the HOME program.

18a, 18b. "Total amount provided in technical assistance to CDCs. Who provided the technical assistance, LISC, Enterprise, if other providers, please detail."

Enterprise has used $6.3 million in Section 4 funds to provide technical assistance. This does not reflect the total amount of technical assistance we have provided, as we have funded technical assistance with many other sources. We do not track the number of groups we have assisted with Section 4 technical assistance, but the large majority of our grantees receive some form of technical assistance from us.

"Total amount provided for capacity building to CDCs. Please list the highest, lowest, average grant amount per state. Please provide the total number of CDCs assisted with capacity building grants per state."

Enterprise has committed 1,081 Section 4 grants to 518 community-based groups for a total of $34.5 million. The average grant amount was $31,963. The largest grant was $695,000. The smallest grant was $329. State-by-state information is enclosed as Attachment 4.

ATTACHMENT 1

results of the demonstration program funded under this section to date. The report shall contain a summary and analysis of all information contained in any reports received by the Secretary pursuant to paragraph (1) and shall contain recommendations for future action.

(3) FINAL HUD REPORT- Not later than 3 months after all recipient reports have been submitted under paragraph (1), the Secretary shall submit to the Congress a final report. The Secretary's final report shall contain a summary and analysis of all information contained in the reports received by the Secretary pursuant to paragraph (1) and shall contain recommendations for future action.

(f) AUTHORIZATION OF APPROPRIATIONS- There are authorized to be appropriated $200,000,000 for fiscal year 1994 to carry out this section. Of the amounts appropriated pursuant to this subsection, not less than 25 percent shall be used to carry out innovative project funding under subsection (d). All funds shall remain available until expended.

(g) REPEAL- This section shall be repealed effective on October 1, 1994.

SEC. 3. MOVING TO OPPORTUNITIES.

Section 152(e) of the Housing and Community Development Act of 1992 (42 U.S.C. 1437f note) is amended in the first sentence by striking `$52,100,000' and inserting `$165,000,000'.

SEC. 4. CAPACITY BUILDING FOR COMMUNITY DEVELOPMENT AND AFFORDABLE HOUSING.

(a) IN GENERAL- The Secretary is authorized to provide assistance through the National Community Development Initiative to develop the capacity and ability of community development corporations and community housing development organizations to undertake community development and affordable housing projects and programs.

(b) FORM OF ASSISTANCE- Assistance under this section may be used for--

(1) training, education, support, and advice to enhance the technical and administrative capabilities of community development corporations and community housing development organizations;

(2) loans, grants, or predevelopment assistance to community development corporations and community housing development organizations to carry out community development and affordable housing activities that benefit low-income families; and

(3) such other activities as may be determined by the National Community Development Initiative in consultation with the Secretary.

(c) MATCHING REQUIREMENT- Assistance provided under this section shall be matched from private sources in an amount equal to 3 times the amount made available under this section.

(d) IMPLEMENTATION- The Secretary shall by notice establish such requirements as may be necessary to carry out the provisions of this section. The notice shall take effect upon issuance.

(e) AUTHORIZATION- There are authorized to be appropriated $25,000,000 for fiscal year 1994 to carry out this section.

SEC. 5. AUTHORIZATION FOR COMMUNITY HOUSING PARTNERSHIPS AND SUPPORT FOR STATE AND LOCAL HOUSING STRATEGIES.

Section 205 of the Cranston-Gonzalez National Affordable Housing Act (12 U.S.C. 12724) is amended--

(1) in paragraph (1), by striking `$14,000,000 for fiscal year 1994' and inserting `$25,000,000 for fiscal year 1994'; and

(2) in paragraph (2), by striking `$11,000,000 for fiscal year 1994' and inserting `$22,000,000 for fiscal year 1994'.

SEC. 6. SECTION 8 COMMUNITY INVESTMENT DEMONSTRATION PROGRAM.

(a) DEMONSTRATION PROGRAM- The Secretary shall carry out a demonstration program to attract pension fund investment in affordable housing through the use of project-based rental assistance under section 8 of the United States Housing Act of 1937.

(b) FUNDING REQUIREMENTS- In carrying out this section, the Secretary shall ensure that not less than 50 percent of the funds appropriated for the demonstration program each year are used in conjunction with the disposition of either--

(1) multifamily properties owned by the Department; or

(2) multifamily properties securing mortgages held by the Department.

(c) CONTRACT TERMS-

(1) IN GENERAL- Project-based assistance under this section shall be provided pursuant to a contract entered into by the Secretary and the owner of the eligible housing that--

(A) provides assistance for a term of not less than 60 months and not greater than 180 months; and

(B) provides for contract rents, to be determined by the Secretary, which shall not exceed contract rents permitted under section 8 of the United States Housing Act of 1937, taking into consideration any costs for the construction, rehabilitation, or acquisition of the housing.

(2) AMENDMENT TO SECTION 203- Section 203 of the Housing and Community Development Amendments of 1978 (12 U.S.C. 1701z-11) is amended by adding at the end the following new subsection:

`(l) Project-based assistance in connection with the disposition of a multifamily housing project may be provided for a contract term of less than 15 years if such assistance is provided--

`(1) under a contract authorized under section 6 of the HUD Demonstration Act of 1993; and

ATTACHMENT 2

H.R.1871

1997 Emergency Supplemental Appropriations Act for Recovery from Natural Disasters, and for Overseas Peacekeeping Efforts, Including Those in Bosnia (Enrolled as Agreed to or Passed by Both House and Senate)

CAPACITY BUILDING FOR COMMUNITY DEVELOPMENT AND AFFORDABLE HOUSING

(TRANSFER OF FUNDS)

For `Capacity building for community development and affordable housing', as authorized by section 4 of the HUD Demonstration Act of 1993 (Public Law 103-120), $30,200,000, to remain available until expended, and to be derived by transfer from the Homeownership and Opportunity for People Everywhere Grants account: *Provided,* That at least $10,000,000 of the funding under this head be used in rural areas, including tribal areas.

Community Planning and Development

COMMUNITY DEVELOPMENT BLOCK GRANTS FUND

For an additional amount for `Community development block grants fund', as authorized under title I of the Housing and Community Development Act of 1974, $500,000,000, of which $250,000,000 shall become available for obligation on October 1, 1997, all of which shall remain available until September 30, 2000, for use only for buyouts, relocation, long-term recovery, and mitigation in communities affected by the flooding in the upper Midwest and other disasters in fiscal year 1997 and such natural disasters designated 30 days prior to the start of fiscal year 1997, except those activities reimbursable or for which funds are made available by the Federal Emergency Management Agency, the Small Business Administration, or the Army Corps of Engineers: *Provided,* That in administering these amounts, the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the obligation by the Secretary or the use by the recipient of these funds, except for statutory requirements related to civil rights, fair housing and nondiscrimination, the environment, and labor standards, upon a finding that such waiver is required to facilitate the use of such funds, and would not be inconsistent with the overall purpose of the statute: *Provided further,* That the Secretary of Housing and Urban Development shall publish a notice in the Federal Register governing the use of community development block grants funds in conjunction with any program administered by the Director of the Federal Emergency Management Agency for buyouts for structures in disaster areas: *Provided further,* That for any funds under this head used for buyouts in conjunction with any program administered by the Director of the Federal Emergency Management Agency, each State or unit of general local government requesting funds from the Secretary of Housing and Urban Development for buyouts shall submit a plan to the Secretary which must be approved by the Secretary as consistent with the requirements of this program: *Provided further,* That the Secretary of Housing and Urban Development and the Director of the Federal Emergency Management Agency shall submit quarterly reports to the House and Senate Committees on Appropriations on all disbursements and uses of funds for or associated with buyouts: *Provided further,* That for purposes of disasters eligible under this head the Secretary of Housing and Urban Development may waive, on a case-by-case basis and upon such other terms as the Secretary may specify, in whole or in part, the requirements that activities benefit persons of low- and moderate-income pursuant to section 122 of the Housing and Community Development Act of 1974, and may waive, in whole or in part, the requirements that housing qualify as affordable housing pursuant to section 290 of the HOME Investment Partnerships Act: *Provided further,* That the entire amount shall be available only to the extent an official budget request, that includes designation of the entire amount of the request as an emergency requirement as defined by the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress: *Provided further,* That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251 (b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

Management and Administration

SALARIES AND EXPENSES

Of the funds appropriated under this head in Public Law 104-204, the Secretary of Housing and Urban Development shall enter into a contract with the National Academy of Public Administration not to exceed $1,000,000 no later than one month after enactment of this Act for an evaluation of the Department of Housing and Urban Development's management systems.

INDEPENDENT AGENCIES

Environmental Protection Agency

buildings and facilities

From the amounts appropriated under this heading in prior appropriation Acts for the Center for Ecology Research and Training (CERT), the Environmental Protection Agency (EPA) shall, after the closing of the period for filing CERT-related claims pursuant to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601 et seq.), obligate the maximum amount of funds necessary to settle all outstanding CERT-related claims against the EPA pursuant to such Act. To the extent that unobligated balances then remain from such amounts amounts previously appropriated, the EPA is authorized beginning in fiscal year 1997 to make grants to the City of Bay City, Michigan, for the purpose of EPA-approved environmental remediation and rehabilitation of publicly owned real property included in the boundaries of the CERT project.

STATE AND TRIBAL ASSISTANCE GRANTS

The funds appropriated in Public Law 104-204 to the Environmental Protection Agency under this heading for grants to States and federally recognized tribes for multi-media or single media pollution prevention, control, and abatement and related activities, $674,207,000, may also be used for the direct implementation by the Federal Government of a program required by law in the absence of an acceptable State or tribal program.

Federal Emergency Management Agency

disaster relief

For an additional amount for `Disaster relief', $3,300,000,000, to remain available until expended: *Provided,* That $2,300,000,000 shall become available for obligation on September 30, 1997, but shall not become available until the Director of the Federal Emergency Management Agency submits to the Congress a legislative proposal to control disaster relief expenditures including the elimination of funding for certain revenue producing facilities: *Provided further,* That of the funds made available under this heading, up to $20,000,000 may be transferred to the Disaster Assistance Direct Loan Program for the cost of direct loans as authorized under section 417 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.): *Provided further,* That such transfer may be made to subsidize gross obligations for the principal amount of direct loans not to exceed $21,000,000 under section 417 of the Stafford Act: *Provided further,* That any such transfer of funds shall be made only upon certification by the Director of the Federal Emergency Management Agency that all requirements of section 417 of the Stafford Act will be complied with: *Provided further,* That the entire amount appropriated herein shall be available only to the extent that an official budget request for a specific dollar amount, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to Congress: *Provided further,* That the entire amount appropriated herein is designated by Congress as an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

GENERAL PROVISIONS, CHAPTER 10

SEC. 10001. The Secretary shall submit semi-annually to the Committees on Appropriations a list of all contracts and task orders issued under such contracts in excess of $250,000 which were entered into during the prior 6-month period by the Secretary, the Government National Mortgage Association, and the Office of Federal Housing Enterprise Oversight (or by any officer of the Department of Housing and Urban Development, the Government National Mortgage Association, or the Office of Federal Housing Enterprise Oversight acting in his or her capacity to represent the Secretary or these entities). Each listing shall identify the parties to the contract, the term and amount of the contract, and the subject matter and responsibilities of the parties to the contract.

SEC. 10002. Section 8(c)(9) of the United States Housing Act of 1937 is amended by striking out `Not less than one year prior to terminating any contract' and inserting in lieu thereof: `Not less than 180 days prior to terminating any contract'.

SEC. 10003. The first sentence of section 542(c)(4) of the Housing and Community Development Act of 1992 is amended by striking out `on not more than 12,000 units during fiscal year 1996' and inserting in lieu thereof: `on not more than 12,000 units during fiscal year 1996 and not more than an additional 7,500 units during fiscal year 1997'.

SEC. 10004. Section 4(a) and (b)(3) of the HUD Demonstration Act of 1993 is amended by inserting after `National Community Development Initiative': `, Local Initiatives Support Corporation, The Enterprise Foundation, Habitat for Humanity, and Youthbuild USA'.

SEC. 10005. Section 234(c) of the National Housing Act is amended by inserting after `203(b)(2)' the following: `or pursuant to section 203(h) under the conditions described in section 203(h)'.

SEC. 10006. Section 211(b)(4)(B) of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997 (Public Law 104-204) is amended by inserting the following at the end: `The term `owner', as used in this subparagraph, in addition to it having the same meaning as in section 8(f) of the United States Housing Act of 1937, also means an affiliate of the owner. The term `affiliate of the owner' means any person or entity (including, but not limited to, a general partner or managing member, or an officer of either) that controls an owner, is controlled by an owner, or is under common control with the owner. The The term `control' means the direct or indirect power (under contract, equity ownership, the right to vote or determine a vote, or otherwise) to direct the financial, legal, beneficial, or other interests of the owner.'.

CHAPTER 11

OFFSETS AND RESCISSIONS

DEPARTMENT OF AGRICULTURE

Office of the Secretary

FUND FOR RURAL AMERICA

Of the funds provided on January 1, 1997 for section 793 of Public Law 104-127, Fund for Rural America, not more than $80,000,000 shall be available.

Food and Consumer Service

THE EMERGENCY FOOD ASSISTANCE PROGRAM

Notwithstanding section 27(a) of the Food Stamp Act, the amount specified for allocation under such section for fiscal year 1997 shall be $80,000,000.

Foreign Agricultural Service and General Sales Manager

EXPORT CREDIT

None of the funds made available in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1997, Public Law 104-180, may be used to pay the salaries and expenses of personnel to carry out a combined program for export credit guarantees, supplier credit guarantees, and emerging democracies facilities guarantees at a level which exceeds $3,500,000,000.

Attachment 3: Summary of Enterprise Section 4 Rural Grants Through 10/21/2002

State	# of Grants	Total Amount	Average Grant	Highest Award	Lowest Award
AK	8	140,000	17,500	30,000	5,000
AL	7	208,500	29,786	65,000	4,000
AR	2	20,000	10,000	10,000	10,000
AZ	4	70,500	17,625	19,500	15,000
CA	11	340,000	30,909	150,000	5,000
CO	4	160,000	40,000	100,000	10,000
DC*	5	539,800	107,960	193,900	45,900
DE	1	60,000	60,000	60,000	60,000
FL	7	239,070	34,153	100,000	10,000
GA	4	160,000	40,000	100,000	10,000
HI	2	33,500	16,750	23,500	10,000
IA	4	180,025	45,006	60,025	20,000
IN	1	125,000	125,000	125,000	125,000
KS	3	120,000	40,000	60,000	30,000
KY	4	48,500	12,125	20,000	8,500
LA	1	8,500	8,500	8,500	8,500
MA	2	28,000	14,000	18,000	10,000
MD	3	101,500	33,833	50,000	20,000
MI	3	277,516	92,505	100,000	77,516
MN	7	377,995	53,999	100,000	2,995
MO	9	162,100	18,011	24,100	15,000
MS	4	68,525	17,131	20,000	8,525
MT	1	10,000	10,000	10,000	10,000
NC	6	92,736	15,456	28,686	8,525
ND	2	68,000	34,000	50,000	18,000
NE	1	40,000	40,000	40,000	40,000
NM	8	234,955	29,369	60,000	8,500
NY	9	188,000	20,889	74,587	413
OH	6	92,000	15,333	20,000	5,000
OK	2	8,891	4,446	4,875	4,016
OR	47	806,974	17,170	100,000	329
PA	2	120,000	60,000	100,000	20,000
SC	1	17,600	17,600	17,600	17,600
SD	6	173,500	28,917	70,000	10,000
TN	3	48,085	16,028	20,000	10,000
TX	6	101,525	16,921	30,000	8,525
UT	10	188,330	18,833	40,000	6,666

VA	5	145,000	29,000	50,000	10,000
VT	8	159,799	19,975	50,000	5,871
WA	3	127,000	42,333	75,000	20,000
WI	2	40,000	20,000	20,000	20,000
WV	3	70,000	23,333	40,000	10,000
Total	**227**	**6,201,426**	**27,319**		

*DC grants are to Housing Assistance Council and National Development Organization. Both organizations serve rural constituents.

Attachment 4: Summary of Enterprise Section 4 Grants Through 10/21/2002

State	# of Grants	Total Amount	Average Grant	Highest Award	Lowest Award
AK	8	140,000	17,500	30,000	5,000
AL	7	208,500	29,786	65,000	4,000
AR	2	20,000	10,000	10,000	10,000
AZ	5	170,500	34,100	100,000	15,000
CA	24	725,000	30,208	150,000	5,000
CO	43	2,135,659	49,666	150,000	350
DC	49	3,017,614	61,584	695,000	500
DE	1	60,000	60,000	60,000	60,000
FL	11	399,070	36,279	100,000	10,000
GA	96	3,832,053	39,917	176,937	1,436
HI	2	33,500	16,750	23,500	10,000
IA	4	180,025	45,006	60,025	20,000
ID	1	50,000	50,000	50,000	50,000
IL	1	60,000	60,000	60,000	60,000
IN	1	125,000	125,000	125,000	125,000
KS	3	120,000	40,000	60,000	30,000
KY	6	98,500	16,417	30,000	8,500
LA	2	33,500	16,750	25,000	8,500
MA	6	308,000	51,333	200,000	10,000
MD	162	4,447,179	27,452	153,000	570
MI	4	527,516	131,879	250,000	77,516
MN	9	455,995	50,666	100,000	2,995
MO	29	1,004,858	34,650	125,000	5,000
MS	4	68,525	17,131	20,000	8,525
MT	1	10,000	10,000	10,000	10,000
NC	20	502,044	25,102	50,000	8,525
ND	2	68,000	34,000	50,000	18,000
NE	1	40,000	40,000	40,000	40,000
NJ	7	87,500	12,500	20,000	1,000
NM	12	339,955	28,330	60,000	8,500
NY	81	2,735,506	33,772	137,505	413
OH	112	4,115,169	36,743	500,000	1,000
OK	2	8,891	4,446	4,875	4,016
OR	130	2,785,177	21,424	100,000	329
PA	14	195,932	13,995	100,000	3,102
SC	3	67,600	22,533	25,000	17,600
SD	6	173,500	28,917	70,000	10,000
TN	3	48,085	16,028	20,000	10,000

TX	160	3,893,278	24,333	141,325	400
UT	17	349,163	20,539	40,000	6,666
VA	7	345,000	49,286	100,000	10,000
VT	8	159,799	19,975	50,000	5,871
WA	10	322,000	32,200	120,000	10,000
WI	2	40,000	20,000	20,000	20,000
WV	3	70,000	23,333	40,000	10,000
Total	**1,081**	**34,552,340**	**31,963**		